The Middle East in Transition

Roland Dannreuther

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Introduction

The collapse of the Soviet Union and the end of the Cold War were events of unique historical significance with political, social and economic implications for every region of the world. In attempting to understand these historic developments, two contrasting models have emerged as the most influential and compelling interpretations. The first model is associated with Francis Fukuyama's analysis of the "End of History", which views the demise of the Soviet Union as the historic victory of capitalism and democracy. There is, Fukuyama argues, no realistic option for countries except ultimately to embrace the demands of capitalist development and to initiate forms of democratic governance. Although nationalist and religious extremism will continue to assert their attractions, this will only be a temporary phenomenon in the face of the inexorable pressures for economic and political liberalisation. [1]

The second model is associated with Samuel P. Huntington and his analysis of "The Clash of Civilisations". This interpretation is imbued with a far more pessimistic outlook. Whilst Fukuyama proclaims the triumph of the Western values of liberty and equality, Huntington predicts new conflicts based on the misunderstandings, fears and resentments of different cultures. The end of the Cold War, far from ushering in a new era of universalism and peace, has led to increasing fragmentation, strife and civil wars. Conflicts, such as the war in the former Yugoslavia or in Nagorno-Karabakh, are not driven by ideological but rather by basic cultural and civilisational enmities. Huntington also argues that it will be the West which will find itself most vulnerable to these cultural onslaughts since, after centuries of Western dominance, the rest of the non-Western world will naturally seek to avenge the historical memory of oppression and subjugation. [2]

The Middle East and the End of the Cold War

Both these models can be seen to apply, in different ways, to the recent developments in the Middle East. As in other regions of the world, the states and governments in the Middle East have not been able to ignore the pressures for economic and political liberalisation. The four North African countries, as well as Turkey, Jordan and Pakistan, are either in the midst of, or have just completed structural adjustment programmes backed by the IMF. Practically all the other countries of the region, even the oil-rich Gulf states, have introduced market-based reforms to deal with their budget deficit and balance of payments difficulties. On the political front, the Middle East has not followed the same democratising trend to be found in Latin America and Sub-Saharan Africa, but there have nevertheless been significant moves towards greater political pluralism in countries such as Jordan, Yemen, Kuwait and Egypt.[3] The advances made in the Arab-Israeli peace process, in particular on the Palestinian and Jordanian tracks, provide additional evidence that the region is following, albeit with considerable resistance, Fukuyama's path towards economic growth and regional political stability.

However, the descent into civil war in Algeria, pitting the post-colonial nationalist establishment against an increasingly radicalised Islamist opposition, has presented a different and far less reassuring picture. Many other countries of the region face the same potential threat of a growing Islamist opposition, most notably Egypt, Saudi Arabia and the emerging Palestinian entity. In the background, there also remains the example of the Islamic Republic of Iran, which continues to offer a distinctively anti-Western and revolutionary model of political power. In this context, the more sombre and pessimistic analysis provided by Huntington has appeared to be vindicated. Indeed, a large part of Huntington's argument on the "clash of civilisations" rests on the perceived hostility of modern Islamic culture and the fact that, as he states, "Islam has bloody borders", whether in the Balkans, Sudan, the Caucasus or India. This view is also reflected in the increasing Western concern, as expressed by the NATO

Secretary General Willy Claes, that Islam might replace communism as the principal threat to international security. [4]

Objectives of Study

The Middle East has the habit of inspiring great hopes whilst at the same time fostering even deeper fears. Expectations of a final peace between Arabs and Jews co-exist with the spectre of rising Islamic protest. Ever since the collapse of the Ottoman empire, the Middle East has been one of the most contradictory and conflict-ridden regions of the world. Wise analysts have not made themselves hostages to future predictions, as there are always figures like Saddam Hussein who can undermine the most carefully crafted scenarios. Similarly, the region does not easily lend itself to generalisation and the formation of an overarching analytical framework. As a region stretching all the way from the Himalayas to the Atlantic ocean, it has always been difficult to define the common and distinctive features of the area as a whole. For example, countries such as Algeria and Iran are certainly connected by a common experience of Islamic political protest but they are separated by different continents and have strongly diverging social, political, economic and historical backgrounds.

This study will not attempt to provide an ambitious re-definition of the Middle East. However, in a more modest manner, it will attempt to provide an analytical framework for thinking about recent developments in the region, for assessing the future prospects for stability, and the contribution that outside powers can make to fostering economic growth and political liberalisation. The study will have three main parts:

First, there will be an overall assessment of the most salient features of the Middle East after the end of the Cold War and the Gulf War. This will involve an analysis of the role of the United States in the region, given its unchallenged dominance after the withdrawal of the Soviet Union and the US-led victory in the Gulf War. This will be followed by an analysis of the internal developments within the region, where it will be argued that there

is an internal crisis of governance in the majority of Middle Eastern states. This political crisis is not, as it is often presented, a struggle for a unified Arab nation or an Islamic Umma, but rather popular dissatisfaction with the corruption, particularism, and the unrepresentiveness of state elites. It will be argued that it is within this strictly intra-state context that the rise and popularity of Islamic protest should be understood.

Second, there will be a more detailed analysis of the background and dynamics of the Middle East peace process. This will include an assessment of the factors which contributed to the breakthroughs of the 1991 Madrid Conference, the 1993 Israel-PLO agreement (Oslo Accord), the 1994 Israel-Jordan peace treaty, and the 1995 Israel-PLO Interim Agreement. There will also be an analysis of the possible future trajectories of the negotiations, taking into consideration the 1996 Israeli and US elections, the growing divisions within Israel (as most dramatically seen with Yitzhak Rabin's assassination in November 1995), Jordan and the Palestinian territories towards the peace process, and the dilemmas facing the shrewd but inscrutable President Asad of Syria.

Third, there will be overview of the situation in the Persian Gulf in the aftermath of the Gulf War. The US-constructed doctrine of dual containment, isolating Iran and Iraq, whilst massively re-arming Saudi Arabia and the Gulf states has been coming, it will be argued, under increasing pressure. Iraq will at some point relatively soon have substantially fulfilled the conditions set out for the lifting of sanctions; Iran is continuing to trade with a number of countries; and the regional arms race has done little to improve the security of the area. Indeed, the economic and political difficulties faced by all countries in the region are a cause for alarm and will be assessed.

Part One :
The Middle East After the Cold War and Gulf War

The United States as the Dominant External Power in the Middle East

It is rarely the case in the Middle East that any one external power is capable of asserting its unchallenged dominance of the region. Normally, a number of competing powers struggle for influence, as with the European powers and the "Eastern Question" in the nineteenth century, France and Britain in the inter-war period, and the United States and the Soviet Union since 1945. [5] The unilateral dominance of the United States in the 1990s is a consequence of two victories: the victory over the Soviet Union in the long struggle of the Cold War, and the victory over Saddam Hussein's challenge to the international state system in the Gulf War of 1990-1. As a consequence of these victories, the United States can for the first time pursue its policies in the region without encountering a countervailing and opposed force as powerful and obstructive as the Soviet Union.

Objectives of US policy in the Middle East

Since the end of the World War II, the United States has had three principal objectives in the Middle East:

- The containment of the Soviet Union, which involved resisting any Soviet territorial expansion from the southern borders of the USSR and limiting Soviet influence elsewhere in the region.
- The protection of the oil supply and communications routes in the region, particularly those of the Persian Gulf.
- The defence of the existence of the state of Israel and the promotion of peaceful relations between Israel and its neighbours. This consistent support has been driven by three main factors: a strong emotional attachment to Israel; the political strength of the Jewish lobby in Washington; and the perception that Israel acts as a reliable "strategic ally", particularly for weakening Soviet influence and Arab radicalism in the region. [6]

Although the United States was frequently criticised for taking an excessively pro-Israeli Middle Eastern policy, which it was felt could only alienate the rest of the Arab world, its policies have ultimately borne fruit. The Soviet Union has retreated from the region and, for the first time in two hundred years, the Northern tier countries of Turkey, Iran and Afghanistan are free of a contiguous Russian presence. Former anti-Western Soviet clients have also been left isolated, with countries like Syria being forced rapidly to accommodate to the new US-dominated political reality. In addition, the US-promoted Arab-Israeli peace process has advanced far further than in any earlier period, with the reconciliation between Israel and the Palestinians being the most symbolically important development, as this represents the historic compromise at the very heart of the dispute. The United States can also be satisfied that Israel is pursuing peace from a powerful position of strength, with a vibrant economy and a continued qualitative military superiority.

Furthermore, the Gulf War demonstrated the United States' commitment to Persian Gulf security and its willingness to defend its Gulf allies. Although Iran and Iraq continue to represent political challenges to US influence in the region, the United States' position as the ultimate guarantor of security remains undisputed. The increased dependence of Saudi Arabia and the Gulf states on the United States also has its economic advantages:

- In the period from 1990-1993, Saudi Arabia and Kuwait made arms transfer agreements with the United States worth $35.2 bn ($30.4 bn and $3.8 bn respectively). Comparing the period 1986 to 1989 and from 1990 to 1993, the value of arms transfer agreements with Saudi Arabia rose from $4.1 bn in the earlier period to $30.4 bn, a 641% increase. In the Middle East generally, the United States captured 68% of the market in the period from 1990-1993, whilst in the period from 1986-1989 it only had a 16.92% share. [7]

As the oil economist Peter R. Odell has argued, the aftermath of the Gulf war has led to such a close US-Saudi alliance that it will effectively up-

stage OPEC, "whose other members will become virtually powerless to influence prices so long as the United States and Saudi Arabia remain committed to the maintenance of current price levels". The United States will ensure that there will not be any serious downward pressure on oil prices, both by agreeing to generate minimum volume off-take of Saudi oil and ensuring that resumption of Iraqi oil exports is delayed as long as possible. For its part, Saudi Arabia will control longer-term upward pressures on the international oil price by producing sufficient additional oil to stabilise the market. The US oil multinationals in the ARAMCO partnership will have a strong competitive advantage in any further investment in Saudi Arabia. In short, the US hegemony of the oil industry, particularly the role of the US oil multinationals, are being re-asserted after the years of "near demise" in the 1970s and early 1980s. [8]

Return of Russia to the Middle East?

The Middle East has traditionally been a region where the interests of a number of great powers converge. Carl L. Brown has called the Middle East the "most penetrated region of the world", where there has been a continual interaction of outside powers and internal actors. [9] It is symptomatic of this shifting and kaleidoscopic political landscape, where alliances are constantly changing and re-forming, that it is rare that one external power can indefinitely dominate the region unchallenged. After World War I, Great Britain sought to create a unified Middle Eastern empire but was almost immediately challenged by the demands of France and the return of Russian (Soviet) influence after the turmoil of civil war. The end of the Cold War and Gulf War has likewise given the United States seeming unilateral dominance of the region but, following earlier patterns, other external powers have begun to challenge the US hegemony.

Although many analysts had written off Russia as a Middle Eastern actor after the collapse of the Soviet Union, Russia has gradually been

consolidating its power and has been defining an independent regional policy which is not subordinate to US strategic interests. The assertion of Russian power is not surprising: from the Russian perspective, the Middle East is a region geographically close to its southern borders where it inevitably has distinct security and strategic interest not necessarily shared by more distant powers, such as the United States. In particular, Russia has historically been and will continue to have significant interests in the countries of the Northern tier - the Caucasus, Central Asia, Turkey, Iran, and Afghanistan.

It is in the Northern tier that most of the sources of tension between Russia and the United States are emerging:

- Oil exploration and pipeline development in the Caucasus and Central Asia. Russia is determined that Russian oil companies, (in particular Lukoil), should have a 10-20% share in the oil development consortia. Russia is also making it quite clear that it will not accept any pipeline route which does not traverse Russian territory with the output terminal at Novorossisk. A Turkish route would be unacceptable and would be strongly resisted. In general, Russia is placing increasing pressure on the Caucasian and Central Asian states of the former Soviet Union to favour Russian security, political and economic interests. Given the number of US oil companies in the region, the United States is becoming increasingly concerned over Russian attempts to enforce its hegemony and US officials have been more belligerent in stating that the US will "defend its interests in the area".[10]
- Sanctions in Iraq. Iraq is indebted to Russia in the region of $7-10 bn and Russia has suffered considerable additional losses in arms and other commercial sales due to sanctions. Russia has been the strongest advocate on the UN Security Council for an early lifting of sanctions. Russia argues that once the UNSCOM long-term monitoring system has been set up and is in place (which is likely to be the case in Summer 1995), then Iraq will have fulfilled the conditions for the lifting of the oil embargo as set out in UN Security Council Resolution 687. France, which also historically has had strong commercial and arms sales relations with Iraq, is supportive of this

Russian legal interpretation. However, the United States, with the support of the United Kingdom, is determined to continue sanctions on Iraq until there is a definite moderation of Iraqi behaviour - this includes Iraqi respect for other UN resolutions such as the protection of Iraqi minorities (UN Resolution 688).[11]

- Isolation of Iran. US policy towards the Persian Gulf region has been based on a policy of dual containment, involving continued sanctions on Iraq and the exclusion of Iran from any regional security framework. The United States is also been deeply concerned about the Iranian arms acquisition programme, the Iranian threat to Persian Gulf regional security, and the potential for Iran to be developing a nuclear weapons programme.

- Russia has no great love of the Iranian regime and is as worried about Islamic fundamentalism as any Western country. But, Russian perceptions of Iran differ in three important ways. First, in contrast to the US security concern with the Persian Gulf region, Russia's main strategic concern has focused on Central Asia and the Caucasus and in these regions Iranian policy has been notably restrained and moderate. Iran has not been exporting revolution to the region and has acquiesced in the Russian interventions into Tajikistan and Chechnia - Russia has sought to reward such moderation with arms sales. Second, Russian intelligence sources are far more sceptical over the capability of Iran to manufacture nuclear weapons. They dismiss US and Israeli claims that Iran could develop such weapons in 5-7 years, arguing that Iran has no such conceivable capability. Third, Russia is greatly resistant to losing another valuable arms market, worth $3.7 bn for period 1990-1993, especially as the United States has completed such huge deals with Kuwait and Saudi Arabia. The recent Russian refusal to submit to US pressure to call off its $1 bn deal over the development of two light water nuclear reactors in Busheyr is indicative of its new-found resolve.[12]

Russia is not going to be returning to the obstructive behaviour of the Soviet Union in the Middle East. Russia will continue to collaborate with the United States in the Arab-Israeli peace process and elsewhere where Russian interests are not immediately at stake. But, particularly in the

countries near to its southern borders and where it has strong commercial interests, Russia has shown that it is not willing simply to submit to US diktat. In the post-Cold war era, the United States cannot also expect the unconditional support of its European allies, as French support for the Russian position on Iraqi sanctions has shown.

Domestic Constraints on US Policy

The activities of other external powers is not the only constraint on the promotion of US influence in the Middle East. Indeed, perhaps the most significant pressure against US activism has been the increasing domestic desire for a more isolationist foreign policy. In this respect, the US intervention into the Persian Gulf in 1990-1991 was the exception rather than the rule. The subsequent experience of the peacekeeping operations in Somalia and Yugoslavia resurrected the memory of Vietnam and led to intense US questioning of the value and purpose of its global commitments in the aftermath of the Cold War. The election of a Republican House of Representatives in 1994 capitalised on this more introspective mood; it quickly asserted its determination to limit US involvement in any multilateral peacekeeping activities and to reduce US foreign aid contributions.

Traditionally, US peace-making in the Middle East has been an expensive affair. After the Camp David Treaty in 1979, Israel and Egypt received annually over $5 bn in US aid. Such generosity is simply not now available to US policy makers in the Middle East, particularly with the new US Congress in place. This is already causing diplomatic problems in the region:

- After signing his peace treaty with Israel, King Hussein of Jordan demanded a 10-year aid programme worth $2.5 bn and asked for a US military package of $12bn over ten years. In reality, the US Congress proved reluctant to write off the full amount of Jordan's $702m debt, although it eventually agreed to do so. However, it only offered $43m in aid

(and $100m in military assistance) for 1995/6. As a result, King Hussein has become increasingly vulnerable to domestic opposition to his peace agreement with Israel.[13]

- Egypt has been expressing more strident criticisms of Israel, focusing in particular on Israel's refusal to sign the NPT treaty and threatening to follow suit in the April 1995 NPT renewal treaty. Israel has responded angrily, with Shimon Peres stating that there "is a foul wind blowing in the Egyptian Foreign Ministry". The United States has also threatened to review the US aid contribution to Egypt, if it continued to oppose US non-proliferation policy. The US aid question is really at the heart of this issue. The Egyptian government is clearly deeply concerned about the potential loss of such aid and the problems it would create for its internal domestic policies. Its belligerent stance is a rather clumsy attempt to underline its continuing regional strategic importance, even after the Cold War and with Israel at peace with its neighbours. US-Egyptian tensions will be bound to increase, particularly as it seems inevitable that US Congress will cut Egyptian aid.[14]

- The threat made by Jesse Helms, Chairman of the Congressional Foreign Affairs Committee, against sending any US troops to police a Syrian-Israeli agreement on the Golan Heights is a further indication of the potential limits of US involvement.[15] However, it would be highly unlikely that Congress would refuse such a measure, since there is broad bi-partisan support for Israel's peace efforts and Congress would not want to be seen to be responsible for undermining an Israeli-Syrian accord. But, Helm's statement does reveal the limits of US interventionism. In a world where even the poorest countries are relatively well-armed, the old colonial practice of gunboat diplomacy is far less effective. The process of decolonisation since World War II has also established new norms against aggression and outside intervention into the internal affairs of states. All of these factors mean that there are severe constraints, both domestic and international, against direct military US intervention.

US-Israeli Relations

The question of the United States' "strategic" alliance with Israel has been under increasing scrutiny since the end of the Cold War and the Gulf War. The enforced Israeli inaction during the Gulf War was a particularly embarrassing episode, which revealed the inconsistencies of the idea of a strategic relationship. At the one time when the US had massively intervened into the region, Israel had no strategic benefits to offer and the United States spent most of the conflict ensuring the exclusion of Israel. In contrast, the airfields and bases in Saudi Arabia underlined the strategic importance of the US-Saudi relationship. The subsequent flow of F-15XP fighters to Riyadh, which had been earlier blocked by the Congress under Israeli pressure, revealed the new strategic calculus.

It is important to note that historically Israel has not always been a strategic ally of the United States. In the 1956 Suez Crisis, President Eisenhower ignominiously ordered Israel to withdraw from the Sinai and made clear US disapproval of the US-British-French operation. The notion of a strategic relationship first emerged with the 1970 Jordanian crisis, when the PLO threatened the regime of King Hussein, and President Nixon and Henry Kissinger believed that the US-Israeli collaboration had succeeded in undermining a Soviet-sponsored destabilisation plot. During the Reagan period, the Israeli invasion of Lebanon in 1982, which was implicitly supported by Secretary of State Alexander Haig represented the zenith of the strategic relationship, as well as ultimately its greatest failure.

The current US administration under President Clinton is undeniably extremely close to Israel. In comparison with the Bush adminstration, Clinton's team have been far more receptive to Israeli wishes, with support for Jerusalem as the capital city, and with no significant demonstrations against over diversion of US aid to the construction of settlements in the occupied territories. Much of this more benign attitude can be accounted for by the advances in the peace process. But the traditional Jewish support for the democrats is also a significant factor - over 60% of Clinton's campaign funds were from Jewish sources - as well as the convictions of

the Presidential team. Vice-President Al Gore has described Israel as "our strongest ally and best friend, not only in the Middle East but anywhere else in the world". Committed Zionists have also dominated Clinton's Middle East policy, notably with the central roles played by State Department officials Dennis Ross and Martin Indyck in the peace process.

The current administration is likely, therefore, to continue to consider Israel as a key ally, irrespective of whether it has genuine strategic value. If a republican administration were to emerge in 1996, this could change. However, much is dependent on the individual conviction of the new President. A strongly Zionist republican president, like Ronald Reagan, can be expected to adopt strongly pro-Israeli policies. A less committed president would be, unlike his democratic counterpart, less dependent on the Jewish lobby, though he would still have to be sensitive to the widespread bi-partisan consensus on issues related to Israel. Nevertheless, such a president could certainly cast a more critical eye on the putative advantages of the "strategic alliance" with Israel. There is nothing immutable about the intensity of US-Israeli relations or its perceived strategic benefits.

Crisis of Governance in the Middle East

The intensity of the involvement of outside powers, their "penetration" of the region, is one distinctive feature of the Middle East which underpins the regional political framework. But, another salient feature has been the consistent resistance of actors within the region to accept the borders and states established by these outside powers. Ever since the collapse of the Ottoman empire and the construction of the modern Middle Eastern state system, the borders of the region have been popularly viewed as artificial and lacking in legitimacy.

The conflict between the state of Israel, the Palestinians, and the Arab states has ultimately been a dispute over the sovereign ownership of the mandate territory of Palestine. The rise of Arab nationalism, particularly as it was promoted by Gamal Abd al-Nasser, gained its popularity by present-

ing the Arab state system as a colonial imposition and arguing that Arab strength would return with the unification of the Arab nation. Similarly, the rise of political Islam has benefited from its assumption of a single Islamic Umma which disparages the divisions of the Muslim world as the source of weakness and urges the political as well as spiritual unity of all Muslim territories.

The perceived illegitimacy of the state borders of the Middle East has been a major cause of the high level of inter-state conflict. The five Arab-Israeli wars, the Iran-Iraq war, and the numerous inter-Arab disputes, most notoriously the Iraqi invasion of Kuwait, were all justified in terms of reclaiming some usurped sovereign rights.

However, the practical reality is that, despite all the rhetoric and the bloody conflicts, the Middle East state system has essentially remained intact. Israel continues to exist and appears to have foregone its ambitions for a greater Israel; none of the Arab states have successfully unified with one another (with the partial exception of the Yemen) and appear to have no real intention to do so; and the Iranian revolution has singularly failed to be replicated elsewhere. In the aftermath of the Cold War and the Gulf War, the rhetoric of Arab nationalism or pan-Islam appears increasingly threadbare. In reality, both these ideological visions have failed and the real political crisis is not between but within states.

Failure of Arab Nationalism

Arab nationalism formally remains the political ideology of a large number of the Arab states in the Middle East. But, the Arab nationalist project which so captivated the imagination of the peoples of the region in the 1950s and 1960s, has long run out of steam. Its first major setback was the 1967 war, when Israel won a stunning 6-day victory and occupied large swathes of Jordanian, Syrian and Egyptian territory. The humiliation of the defeat contrasted with the earlier promises of the liberation of Palestine

leading to the unification of the Arab world. President Sadat regained some Arab pride through the surprise attack of October 1973 but then critically undermined the Arab consensus by signing a separate peace with Israel in Camp David in 1978. However, the final death knell for Arab nationalism came with the Iraqi invasion of Kuwait, when Saddam Hussein cynically used his Arab nationalist credentials to justify the forceful annexation of Kuwait. The brutality of his action, alongside the well-established viciousness of his internal regime, were damning indictments of the Arab nationalist project.[16]

Even if Arab nationalism might has lost much of its original force and appeal, it continues to be a vital instrument for legitimating the rule of the ruling elites of most Arab countries. It is the means by which these leaders, many of whom have been in power for over twenty years, seek to justify their failure to deliver economic growth, the repressiveness of their rule, and the high-level corruption and transparent clientelism and nepotism of the structure of political power. The struggle against Zionism and imperialism are offered as the ultima ratio for their actions. Yet, the historical failure of the Arab nationalist project inevitably weakens this form of defence.

The public commitment of many of the discredited leaders of the Arab world to secular Arab nationalism also provides some explanation for the popularity of Islamic protest. However much these leaders might seek to adopt a religious mantle through public prayers or pilgrimages to Mecca, they cannot plausibly deny their secular orientation. For those opposing their policies, Islam represents a critical achilles heel through which a widespread popular opposition can be mobilised. The pragmatic advantages of creating a religious protest to the avowedly secular ruling elites must provide at least part of the explanation of the increased popularity of political Islam.

Failure of Pan-Islam

Although political Islam has replaced Arab nationalism as the dominant ideology in the Middle East, its roots are just as universalistic and disrespectful of the state borders of the region. The nineteenth century fundamentalist (salafayist) reformers such as Jamal al-Din al-Afghani, Rashid Rida and Muhammad Abduh sought to explain the European superiority of power as due to Muslim divisions, corruption and the failure to reconstitute a unified Muslim Umma.[17] For most of the twentieth century, Islamic reformers bewailed the fragmentation of the Muslim world but sought to change societies from within, without directly challenging the existing state order. However, the Islamic revolution in Iran in 1979 dramatically changed this tradition of political moderation. Ayatollah Khomeini fused together the claims of Islamic justice with radical, and hitherto thoroughly secular, revolutionary practice. Like Trotsky, he believed that the revolution in Iran was only the first stage of a far wider revolutionary upheaval which would transform the political framework of the Muslim world.

Fifteen years after the Iranian revolution, the failure of this pan-Islamic ambition are more than apparent. The greatest defeat was the failure to create an Islamic republic of Iraq despite over eight years of war. Saddam Hussein's survival and the support given to the Iraqi war effort by the indigenous shi'i population exposed the relative strength of nationalist over transnational religious allegiance. In the end, the shi'i population in Iraq decided to defend the Iraqi nation rather than the shi'i religious community.[18] In other shi'i communities Iranian influence has undoubtedly been significant, but primarily in providing increased morale for confessional communities which had been traditionally marginalised. Such support contributed little to the wider ambition of Islamic revolution. This can be seen in particular in Lebanon, where the shi'i community was politically poorly represented and where Iranian support for groups like Amal and Hezbullah have greatly increased the shi'i political profile. Despite their radical propaganda, shi'i groups in Lebanon or in other

countries like Saudi Arabia or Bahrain are primarily interested in ending discrimination rather than the overthrow of the state.

Iran's pan-Islamic appeal also rarely extend beyond the shi'i communities. Amongst sunni groups, the perceived heterodoxy of shi'ism, fears of Persian hegemonic ambitions, and the highly visible role of a politicised clergy, considerably reduced the appeal of Iranian-sponsored revolutionary pan-Islam. Sunni fundamentalist groups, whether in Algeria, Egypt, Sudan, Jordan or Saudi Arabia, tend to be highly puritanical in outlook, eschewing the idea of clerical mediation and contemptuous of shi'i deviations. These Sunni groups are also notoriously decentralised; they might formally be part of a wider regional network, such as the Muslim Brotherhood in the Levant, the Jamaat-i Islami in Central Asia, and the Islamic Renaissance Party in the former Soviet Union, but their regional transnational structures are weak. There is no effective Islamotern and each national branch operate almost completely autonomously. Saudi Arabia might seek to enhance its influence through funding bodies like the World Muslim League but, as the Gulf War showed, even the power of money and patronage far from guarantees automatic support.

The reality is that the Islamists in the Middle East do not represent a cohesive transnational body. The Sunni-Shi'i divide is the most visible but not the only fissure in the Muslim body. Islamist groups throughout the region act relatively autonomously and give primacy to the interests and concerns of their communities, located within the confines of the existing states. The rhetoric might still be of the need for a pan-Islamic revolution and to act collectively to counter Western conspiracies, but, in the main, their political programmes focus on the corruption and illegitimacy of the ruling elites of the individual states of the region. In essence, the programme of pan-Islam is only the superficial cover for a number of independent Islamo-nationalisms.

Understanding Political Islam

The 14th century philosopher Ibn Khaldun provided a brilliant analysis of Muslim society which still has direct relevance for understanding contemporary Middle Eastern political developments. Ibn Khaldun divided Middle Eastern polities into two distinct groups: the nomadic pastoral tribes and the settled agricultural and urban communities. The nomadic tribes were, he argued, normally anarchic and thereby represented no mortal threat to the settled agricultural and urban communities. But, periodically, these tribes could be welded together into a cohesive force by a charismatic leader preaching a fundamentalist Muslim revival. Once such a force was mobilised, it would then be used to overthrow the structures of power in the settled communities and cities, which would have been weakened by the embedded corruption and heterodoxy of religious practice. The new puritan tribal leaders would then take over power in the cities but, so Ibn Khaldun argued, these same leaders would over time also succumb to the pleasures and corruptions of the cities so making themselves vulnerable to renewed challenges from reformist tribal groups. Eventually, their political power would be supplanted by a new tribal grouping which would successfully marry military power and religious conviction. Thus, Ibn Khaldun saw the politics of the Muslim world reflecting a constant cycle of political corruption and reform.[19]

The Middle East has obviously changed almost unrecognisably since Ibn Khaldun's time, particularly given the impact of modernisation, population growth and industrialisation. But, as in other societies, traditional social and political patterns frequently manage to survive, even if in new forms and structures.

The resurgence of Islamic protest is testament to this capacity for survival. The common feature of the Islamist groups, whether in Algeria, Egypt or the Arabian peninsula, is a puritanical reaction against the corruption, the clan and ethnic particularism, and the economic and social failures of the ruling elites. The Islamists make a number of claims which find a large receptive audience; that ruling elites have lost touch with the mass of

the population, that these elites have been confined to small unrepresentative groups which have enriched themselves at the expense of the country, and that they have generally acted in an un-Islamic manner. Ironically, it was just these types of argument that the nationalist elites themselves used two decades earlier to discredit the post-colonial urban notables, from whom they seized power. The sense of an Ibn Khaldunian puritanical cycle is clearly in play.

The sociological roots of the Islamist groups are also instructive. The most active members are recent graduates, normally from engineering or other scientific faculties, who have subsequently failed to find employment. They are deeply angered that the available opportunities are reserved for those connected in some nepotistic way to the ruling establishment. Marginalised and unemployed, they watch these exclusive elite groups enjoying the fruits of unrestrained Western-style consumption, whilst mouthing cynically the ideological tenets of Arab nationalism. An Islamist programme, involving the islamisation of society from below, represents a means for re-structuring of society which would exorcise the privileges of the elite and provide a more just distribution of power. For the frustrated unemployed urban intelligentsia, political Islam is their path towards empowerment. It is the means by which to change the state to fulfil their economic, social and political aspirations.

The Ibn Khaldunian model of the dynamics of this political process is a healthy antidote to the excessive alarmism of much interpretation of the Islamist phenomenon. An example is the view, common in much Western and Arab nationalist commentary, that Islamic protest is a unitary force representing an intrinsically anti-Western medieval obscurantism. The reality is far less simple:

- There is no clear-cut Islamic solution. In all the countries where Islamists are currently strong, as in Algeria or Egypt, there is no clearly defined political and economic programme. Unlike Iran, there is no plan to supplant the secular authorities with a clerical theocracy. There is certainly no predilection for western-style democratic forms of governance, but neither

is there a well-established alternative model of Muslim rule. There is only the prerequisite that the state ensures the full observance of shari'a law. But this would not necessarily mean much change, since the current secular regimes have already extended shari'a to most areas of civil law. In the economic field, Islam has developed little beyond Islamic banking practices. Indeed, the Iranian government has shown that Islam provides no coherent alternative to the traditional models of economic management.[20]

- Islamist groups are more notable for what they are against than what they are for: they excel in exposing the failures and excesses of the regimes in power. However, if they were to gain power in countries like Algeria or Egypt, they would not have prepared a viable blueprint for power: they would be faced with the same social, political and economic problems as their secular nationalist predecessors. How they would seek to address these issues is fundamentally unclear. There is, for instance, no necessary reason why they should not follow a pro-Western model as offered by Zia al-Haq of Pakistan or the Al Saud dynasty in Saudi Arabia.

- The Islamist movement is not undifferentiated. As with other political movements, there are moderate and radical factions, ranging in their political prescriptions from a mild reformism to a radical revolutionism. Which factions are likely to gain political ascendance depends, to a large part, on the response of the regimes in power. Where, as in Algeria, the military authorities appear determined to eradicate the Islamist opposition and deny the moderate leadership of FIS (Front Islamique du Salut) the opportunity to gain power by democratic means, it is inevitable that more radical groups, like the MIA (Mouvement Islamique Arme) and GIA (Groupe Islamique Arme), should increase in power. Analogously, the current Egyptian resolve to crack down on the moderate Muslim brotherhood as well as its militant offshoots, like Jama'at al-Islamiyya, can only be expected to increase the power of the radicals. But, in countries like Jordan, Turkey or Kuwait and even Lebanon (with Hezbullah), where Islamist groups have been permitted to take part in the contest for votes and to be accountable to their constituencies, they have had to learn the art of compromise and the politics of moderation and pragmatism.[21]

This is not to say that the rise of political Islam is not a potentially retrogressive and damaging development. Indeed, the very absence of a coherent political programme is bound to lead to a number of mistaken experiments in social, political and economic planning, if the Islamists were to gain exclusive power in any country. As has been argued, there is no Islamic solution to the problems of the Middle East. But, the virtues of the Islamist movements is that they expose, in true Ibn Khaldunian form, the symptoms of misrule and corruption. But, one has to go beyond Islam to find the real root causes of these problems.

Why the Crisis of Governance in the Middle East?

Pan-Arabism and pan-Islam do not provide a satisfactory framework for understanding the problems of the Middle East. They have both failed to provide a framework for economic development and greater political inclusion. Whilst they have denied the legitimacy of the Middle Eastern state system, this system has become inexorably entrenched both in the consciousness of the elites and of the general populace. In reality, Islamist groups operating in Algeria, Egypt and elsewhere are not engaged in a pan-Islamic struggle but are specifically challenging the ruling regimes of their respective states. Their growing power is a consequence of their acute exposure of the deficiencies and failures of the regimes in power. But, ultimately their political programme is devoid of ideas and would not resolve the structural problems underlying Middle Eastern societies.

The fundamental problem of both Arab nationalism and political Islam is that they ignore one critical feature of Middle Eastern society - its diversity. They both ideologically presuppose an inherently false unity. In reality, the Middle East is a mosaic of different ethnic groups, of various religions and sects, and of a multiplicity of tribes and clans. All of these groups contribute to the social reality of the region. The essential problem in the Middle East was not so much the formation of separate states, which was inevitable, but the adoption of a European model of the nation-state

with an ethnically-defined form of nationalism. It is this which has been the source of so much conflict - the constant Turkish, Iraqi, and Iranian struggles against the Kurds, the Arab-Jewish wars, the frequent clashes between the Persians and the Arabs.[22]

Nationalist intolerance cannot also be magically resolved by a politicised version of Islam. The tragedy of Afghanistan has shown how Islamist groups have only added new divisions and, by denying the ethnic and tribal roots of the conflict, have made a resolution of the war even more difficult. In addition, political Islam can also appear as dangerously threatening to non-Muslim groups, like the Christian Copts in Egypt, or to non-Arab minorities like the Berbers in Algeria and Morocco.

As well as obscuring the diversity of the Middle Eastern society, pan-Arabism and pan-Islam one also used by elites in power to obscure their narrow base of legitimacy, which is frequently founded on family, clan or confessional basis. For example, the main structures of power of the pan-Arab Ba'thist regime in Syria, led by President Asad, is controlled by military factions within the minority 'Alawi community. Similarly, President Saddam Hussein's power base rests on the Iraqi minority sunni community and, more narrowly, on family and clan members from his home town of Takrit. The Saudi royal family and Gulf Sheikhs, despite their much publicised religious credentials, cannot completely hide that their political and economic power rest on familial nepotism. Similar types of analyses can be made in practically every Middle Eastern country, barring the more developed democratic societies like Israel and Turkey.

The crisis of governance in the Middle East is fundamentally a problem internal to the states of the region. It is the failure of the regimes to develop beyond a politics of patronage and clientelism. It is the failure to foster genuine economic growth and to place the economic security of the regime above the interest of the population as a whole. The rhetoric of pan-Arabism and pan-Islam have either perversely legitimated these regimes or have proposed false solutions to their reform. The massive oil wealth from the 1970s onwards, the flow of aid and remittances also provided means for the regimes to avoid reform.

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But a number of factors are finally compelling Middle Eastern regimes to change their policies - the end of the Cold War; the Iraqi expulsion from Kuwait; and the decline of oil rents. The advances made in the Middle East peace process have further focused popular attention on the domestic record of economic mismanagement and authoritarian repression. Economic liberalisation and political democratisation are finally on the Middle East agenda.

Economic Liberalisation and Political Democratisation

The record of the Middle East in both the fields of economic liberalisation and political democratisation is poor. Over thirty years of state-led economic development have resulted in low growth rates, uncompetitive industries, overweening bureaucracies and an unproductive agricultural base. The contrast between the Middle East and East Asia is instructive: in the mid-1960s investment rates and GDP per capita were roughly similar, whilst in the 1991 per capita income in East Asia had grown to $8,000 as against $3,342 for the Middle East. Measures of living standards, unemployment, poverty, social welfare and investment show that the region has made little progress in the past fifteen years. By the standards of East Asia, Middle East economic policies have failed.[23]

The democratic record is even less impressive. The Middle East has a justified record for brutal tyrannies and terroristic rule. The recent "third wave" of democratisations, which have seen large numbers of democratic transitions in Latin America and Sub-Saharan Africa in the 1970s and 1980s, have made little impact on the Middle East. Most peoples of the region remain under authoritarian and repressive rule and only a minority experience any meaningful democratic representation.[24]

Economic Liberalisation

However, the Middle East has not been immune from the global trends towards greater economic and political pluralism. Falling oil prices in the mid-1980s, growing budget deficits and indebtedness, and critical balance of payments problems, forced governments to engage in some degree of economic reform. At the present time, Morocco, Algeria, Tunisia, Egypt, Turkey and Pakistan have agreed, and either are or have implemented, IMF-backed structural adjustment programmes. Other countries in the region, whilst reluctant to accept IMF discipline, have cautiously adopted similar structural adjustment policies.[25] The key challenges of economic reform that they have faced include:

- *Deregulation*
  The Middle East has created a large array of legal and bureaucratic restraints on the private sector which act as the most intractable obstacles to the development of efficient markets. Middle Eastern countries still generally discriminate against non-domestic investors and prevent them from obtaining majority control. As a consequence, the Middle East has been only able to tap 3% of the increased private capital flows to the developing world in recent years (1989-1993). The region needs also to attract the return of expatriate capital which is variously estimated at anywhere between $180bn to $350bn.[26]

- *Privatisation*
  State asset sales have been initiated in some countries, but the scale of privatisation is still limited. It took a long time before Prime Minister Tansu Ciller of Turkey could convince her parliament to support her privatisation plan; Egypt has more definitely balked at the prospect.

- *Sustainable Fiscal Policies*
  Most governments have undertaken measures to cut budget deficits. But the level of regional indebtedness remains high; debt stocks increased to $264

bn in 1993 with debt servicing for the year at $29.56 bn. In addition, few states have dealt with the source of their budget deficits by halting the long-term tendency for public spending to rise.

Selected Middle East Countrie's Debt Stock 1992-3[27]

	Debt Stock	Debt Service
Algeria	25,757	9,146
Egypt	40,626	2,407
Iran	20,550	1,255
Jordan	6,972	569
Morocco	21,430	2,614
Syria	19,975	283
Turkey	67,862	8,600

* *Flexible Exchange Rates*
The region remains a disproportionate consumer of foreign goods, especially in the richer markets of the region. Transition to market-related exchange rates is essential, if local industrial products are going to be able to compete. Only a few countries have made this difficult transition (Egypt, Iran, Jordan, Kuwait, Lebanon, Morocco, Tunisia, and Turkey).

* *New Industrial Policies*
With the East Asian economic success as a model, economic orthodoxy requires Middle Eastern governments to end restrictions on imports and to promote non-oil exports. This would require cutting tariffs and eliminating pervasive non-tariff barriers to foreign goods and services and making it easier for investors to promote industries aimed largely or wholly at overseas markets. However, governments are reluctant to implement such reforms and protectionism is still rife in the region.

- *Financing Infrastructure*

  With fast-growing populations (the region has a 3.0% demographic growth rate), Middle East infrastructure is straining under the weight of demand. Considerable investment needs to be found for basic utilities, such as electricity, water supplies and telephone communications.[28]

In general, most countries in the Middle East have only cautiously begun to bite the bullet of structural adjustment. Unlike other regions of the developing world, the region only faced a major fiscal crunch in the mid-1980s when oil prices collapsed and there was a considerable contraction in the circulation of capital from the oil-producing countries to the non-oil producing economies. Until that time, high levels of imports continued to be sustained as well as exceptionally high levels of military expenditure (in 1991 representing 30.1% of governmental spending and 8.8% of GNP).[29]

Structural adjustment became inevitable at the end of the 1980s but the process has been uneven and incremental. Morocco and Tunisia are the star graduates of the IMF structural adjustment programmes and have won IMF applause for their fiscal and monetary policies. Despite its appalling political problems, Algeria is faithfully following IMF prescriptions and there are early signs of success. Jordan is also holding fast to its IMF-approved economic programme. But, the two critical countries of Egypt and Turkey are struggling to meet IMF targets and both are fearful of the social costs of structural adjustment and the strengthening of Islamist opposition. Countries like Syria, Saudi Arabia or the Gulf states are, as yet, only dipping their toes into the waters of market-based economic reform.

The Middle Eastern countries are, therefore, only adopting economic restructuring with half-hearted enthusiasm. There are two reasons for this.

First, there is a wait-and-see attitude to the peace process, with the expectation that peace will itself be an enormous boost to growth.

Second, most of the states of the region are worried about the political implications of economic liberalisation, particularly if it empowers new groups whose loyalty to the regimes in power might not be assured.

Will the Peace Dividend Materialise?

There has been a widespread expectation that advances in the peace process between Israel and the Arab world would harness economic growth by furthering regional integration. The Israeli Foreign Minister Shimon Peres has been the most prominent advocate of the "peace dividend". Following the European Community model, he has promoted the dynamics of functional integration leading eventually to the establishment of a Middle East Common Market.[30]

With inter-regional trade representing only 9% of overall trade, there is certainly considerable room for regional trade expansion. It is also clearly the case that political stability and conditions of peace create more propitious conditions for attracting outside investment and for governments to engage in economic and political reform. In such an environment, it can be expected that military budgets would be substantially reduced and investment directed to more productive uses.

However, in the Middle East at least, there is no necessary correlation between peace and economic integration. The case of the Egyptian-Israeli peace is instructive in this regard. The Camp David Agreement in the late 1970s included a number of stipulations on economic integration between Israel and Egypt. At the time, the outlook appeared particularly favourable. Both partners were committed to peace and the United States was willing to use its diplomatic and financial power to conclude the Agreement. However, despite these highly advantageous conditions, the economic consequences of peace have been very limited. Bilateral trade remains low, tourism has been disappointing and joint economic projects are almost non-existent. Even on the political level, there has been in practice a "cold" peace with limited interaction between the two parties. The recent Egyptian and Israeli exchanges over the NPT renewal treaty has revealed the full extent of continued mutual distrust and suspicion.[31]

Despite the flow of large amounts of US aid and a policy of economic liberalisation (infitah), Egypt's economy has not succeeded in overcoming its structural weaknesses. This economic weakness, alongside the close"

US-Egyptian relationship, has considerably strengthened the appeal of the Islamist opposition. The fate of President Anwar Sadat, assassinated for failing to "deliver" the fruits of peace, is a constant reminder to other Arab leaders of the potential costs of peace. At the very least, the Egyptian experience of peace will tend other Arab countries towards a cautious approach, making sure that any rapprochement with Israel is carefully aligned with the limits of domestic acceptability and the broad regional political consensus.

The Egyptian-Israeli example suggests a certain scepticism at any over-optimistic projection of regional integration and the attainment of a substantial economic peace dividend. A number of other factors also indicate that such progress will probably be slow to materialise:

- Mutual Arab and Israeli distrust and suspicion is likely to continue. There is a strong belief in the Arab world that Israel will seek to translate peace into a form of economic hegemony of the Middle East.[32] As a result, the degree of Israeli-Arab economic interaction will probably remain limited. Israel would be disappointed by such Arab reluctance but would not economically be greatly affected. For Israel, the mature industrialised markets of the European Union, East Asia and the United States will continue to be far more important than any prospective Arab market. Indeed for Israel, a lifting of the secondary and tertiary trade boycotts represents a far greater economic peace dividend than direct trade relations with the Arab world.

- The Arab-Israeli conflict is not the only source of tension in the region. Unlike Europe, the Middle East does not conform to a bipolar model of regional conflict. Instead, the region is characterised by a multiplicity of sources of conflict. A resolution of the Arab-Israeli conflict will not resolve a number of other potential sources of instability. The threat from Iran is one felt both by Israel and by the Arab states and is likely to intensify if the peace process continues and Iran maintains its implacably rejectionist stance. The Gulf war of 1990-91 also confirmed the strong underlying inter-Arab sources of tension. Iraq's invasion of Kuwait, and the subsequent deep divisions in the Arab world, undermined any pretence of a unified Arab

polity. The rifts of the Gulf war continue to scar inter-Arab relations; Iraq remains a regional pariah and the GCC states continue to be highly suspicious of groups like the Palestinians, Jordanians and Yemenis, who were vocal in support of Iraq during the conflict.

- It is this multiplicity of sources of regional insecurity which also makes the prospect of a large-scale reduction of military spending unlikely. Even if Israel and its Arab neighbours were to be convinced of their peaceful intentions to one another, there are a number of other potential external threats which would justify high defence spending. Israel has traditionally planned its defence on the basis of worst-case scenarios and, with countries like Iran and Iraq still representing existential threats, military spending will be unlikely to decline. The same could be said for Saudi Arabia and the Gulf states. For the other Middle Eastern states, even if the external environment becomes less threatening, the growing internal Islamist challenge will act as a catalyst for maintaining a high level of militarization. With the armed forces buttressing the secular regimes in power, there will be little incentive for dramatically reducing defence spending.

- Finally, the promotion of economic liberalisation, even with liberal doses of aid, is not sufficient to generate economic development. The *political* context for such development must also be addressed. Whilst the regimes in the region remain authoritarian, have only a narrow base of legitimacy, and perpetuate their power through patronage and clientelism, then the structural obstacles to economic development will remain essentially untouched. Such regimes will resist market-based reforms, particularly if it means a devolution of power to individuals and groups whose loyalty cannot be guaranteed and if it challenges privileged classes and minorities that are crucial to the survival of the individual regimes. Where regime survival is the paramount concern, even the most urgent of economic reforms assumes a secondary importance.

The Politics of Economic Liberalisation

It is the fear of the political consequences of economic liberalisation which is probably the most formidable obstacle to the opening up of the economies of the Middle East. All the states in the region realise that economic liberalisation measures cannot be indefinitely postponed and that economic autarchy is not a viable option. But, they also have direct experience of the social dislocation and the costs of such re-structuring, which have led to anti-government riots (Algeria in 1987, 1988, 1989; Jordan in 1989; Egypt in 1977, 1986, 1989; Iran in 1978-9, 1991, 1992; Turkey in 1978-9, 1980, 1990).[33] It is this which induces considerable caution in the introduction of such measures. "Shock therapy" is certainly not the preferred model for the region.[34]

Taking the experience of other parts of the world like Latin America and Eastern Europe, it has become increasingly accepted that the social tensions caused by economic liberalisation can best be defused by a simultaneous opening up of the political system. In the late 1980s, there were some optimistic signs that at least some of the Middle Eastern regimes would seek to marry economic reforms with measures introducing greater democratic governance. Algeria, Jordan, Yemen and Kuwait underwent elections, often following severe social discontent, where a genuine degree of participation was involved.

The cancellation of the Algerian elections in January 1992, after the victory of the Islamist FIS in an earlier round, was a major setback to the regional democratic process. The failure of the Western countries forcefully to criticise this suspension and the subsequent descent into a *de facto* civil war in Algeria have considerably undermined the regional appeal of democratisation. Egypt has appeared to conclude that the exclusion of the Islamists is the most effective means of weakening the power of the movement. More generally, the "Islamic" threat has become a means for regimes to deny political participation and continue their authoritarian and repressive rule.

However, countries like Jordan and Kuwait have continued cautiously with their democratic experiment and have included Islamists within the

democratic process. By so doing, they have forced the Islamists to adapt to the demands of political compromise and undermined many of their more radical prescriptions.[35] This contrasts with countries like Algeria and Egypt where the decision to crush the Islamists militarily has only strengthened radical extremist groups and has ultimately made a political compromise far more difficult in the future.[36]

There is no justification for thinking that democracy is somehow inappropriate for the Middle East. In the Middle East as elsewhere, democracy is ultimately the most effective way of inducing political moderation and providing the context for articulating and resolving the interests of different social groups. But, the Middle East is also one of the least fertile grounds for democratic expansion and any support for democratisation must be carefully judged. In particular, it must be recognised that:

- Economic liberalisation does not necessarily lead to democratisation. Measures such as reductions in subsidies, cuts in welfare services, increased unemployment and rising prices - all the normal consequences of economic liberalisation - result in social alienation and dissatisfaction, which is fertile ground for radical political groupings. In the Middle East, Islamist groups have been highly successful in capitalising on these worsening social conditions. To undermine their support, it is important for economic restructuring programmes to be sensitive to indicators other than economic growth, such as issues of social equity, health and education. On these statistics, it is not always the IMF star candidates which are the most successful. The UN Human Development report in 1994 shows, for example, that Syria scores a high human development index (HDI) value, despite its poor record in economic liberalisation. Egypt's record is far worse and the country also suffers from regional disparities, with rural upper Egypt considerably more backward than the Cairo Governorate.[37]

- Democracy does not emerge spontaneously but needs to be carefully managed. One of the main problems of the Algerian elections was that they were so designed that the winning party gained absolute power and was not

constrained by the need to build coalitions. The lesson is that, particularly in countries where there is little past experience of democracy, it is vital that the democratic process is carefully managed so that political pluralism is sustained. Building a democratic culture involves a long learning process, particularly in the Middle East where the problem is that of creating "democracies without democrats", as one analyst has expressed it.[38] Clearly, some supposed democratic openings are sham and do not involve any genuine devolution of power from the regime to the populace. But, the cautious moves made by respected leaders like King Husayn or Sheikh al-Sabah in Kuwait should be recommended, because they are genuinely increasing political participation whilst ensuring social stability.

The general point is that the promotion of peace, democracy and economic development in the Middle East must be sensitive to the political context. After the end of the Cold War and the trauma of the Gulf war, many of the regimes in the region face a crisis of governance, whereby their legitimacy is being severely challenged by new political forces, most prominent of which are the Islamists. How to accommodate these new forces and demands is the critical issue facing the Middle East in the years leading to new millennium. For those outside powers committed to the democratic ideal, this process should be promoted by democratic inclusion and economic development. But, to make a genuine contribution to furthering these goals, it is important not to adopt any one model, however orthodox, but to be sensitive to the specific political, social and economic context of each individual country.

Part Two :
The Arab-Israeli Peace Process

The Background to the Peace Negotiations

Ever since Israel's decisive victory in the 1967 war and its substantial territorial gains, there have been almost continuous attempts to seek a comprehensive resolution of the Arab-Israeli conflict. The fundamental framework for the post-1967 negotiations has been UN Resolution 242, which established the idea of trading peace for Israeli territorial withdrawal. Although there are differing interpretations of the resolution and some parties have been reluctant to agree to its provisions (the PLO only committed itself in 1988), Resolution 242 has remained the bedrock of the peace process.

The conflict between Israel and the Arab world has been accorded an extraordinary degree of international attention and exposure. The United Nations has adopted more resolutions on the conflict than on any other dispute; the United States and the Soviet Union competed, and sometimes cautiously collaborated, in seeking a resolution of the conflict; and practically every regional and international body has sought to make some distinctive contribution. It has, though, been the United States which has been the most active and effective political mediator. In the aftermath of the 1973 war, Secretary of State Henry Kissinger brokered a number of disengagement treaties between Israel and Egypt (1974 and 1975) and Syria (1974). The succeeding Carter administration made the critical breakthrough by securing a full peace treaty between Egypt and Israel with the Camp David Agreement of 1978. By 1981, Israel had completely withdrawn from all Egyptian territory and Egypt had fully normalised its relations with Israel.[39]

The momentum of the Camp David process faltered in the 1980s. After the Camp David Agreement and the Israeli invasion of Lebanon in 1982, Syria became fiercely rejectionist in its stance and was adamantly opposed to any negotiations with Israel. Tentative attempts to promote progress on the West Bank and Gaza Strip were continually undermined by tensions between Jordan and the PLO. In Israel itself, the dominant political party throughout the decade remained the Likud which has historically been far

more resistant to territorial concessions than the Labour party. All of these factors contributed to the growing malaise in the peace process. By the 1987 Arab Summit in Amman, even the Arab world appeared to be losing interest in the conflict as discussion focused almost entirely on the Iran-Iraq war.

However, since the late 1980s there have been a number of developments which have radically rejuvenated the peace process and which resulted in the historic signing of the Israel-PLO Declaration of Principles in September 1993 and the Israel-Jordan Treaty of Peace in October 1994. These developments include:

- *The Intifada*

  In December 1987, there erupted spontaneous demonstrations and riots in the Gaza Strip and the West Bank, which subsequently developed into a popular and sustained campaign of civil disobedience against the Israeli occupation. The Intifada radically transformed the nature and framework of the Arab-Israeli conflict. Prior to 1987, the conflict had essentially been between Israel and Arab states and had assumed the caracter of a conventional military confrontation. Even the PLO attempted to act as a quasi-state with its own armed forces engaged in guerilla warfare.

  But, with the Intifada, Israel was faced with an internal civil war, for which the Israeli Defence Forces (IDF) was singularly unprepared. For an elite military force, the demands of quelling widespread civil unrest damaged morale. In Israeli society more generally, the Intifada finally exposed the moral and political costs of subjugating a population against their will. As terrorism started to spill over the green line, brought in by the tide of Arab labour, Israelis began to feel personally insecure and to consider how the Palestinian question, the heart of the Arab-Israeli conflict, could be resolved. The rising power of Islamist groups in the Occupied Territories like Hamas and Islamic Jihad, which were vehemently opposed to any reconciliation with Israel, also added to the sense of needing to do something before it was too late.

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Just as the Intifada increased Israeli awareness of the need for a settlement of the Palestinian question, it also provided the PLO Chairman Yasser Arafat with the necessary leverage to enforce the PLO to adopt a more moderate political programme. At the Palestine National Council in 1988, the PLO made the historic decision to recognise indirectly UN Resolution 242 and to accept the right for the state of Israel to exist. This placed the PLO in a more favourable position to be included in peace negotiations. After this decision, the United States and the PLO dealt with each other directly for the first time.[40]

* *The Collapse of the Soviet Union*
Even the height of the Cold War, the Soviet Union had not been unequivocally opposed to a peaceful resolution of the Arab-Israeli conflict. However, it had consistently rejected any peace unilaterally mediated by the United States and it had thus been strongly antagonistic to the Camp David Agreement. It was in this context that the Soviet-Syrian relationship gained in strategic importance, particularly in the early 1980s. The Soviet Union viewed Syria as its critical ally in the region, ensuring that the United States and Israel would not assert an absolute hegemony in the region. Syria's contribution to the humiliating Israeli withdrawal from Lebanon in 1985 was seen as a significant achievement. For his part, President Asad of Syria sought Soviet support for the ambition of gaining "strategic parity" militarily with Israel so as ultimately to allow Syria to negotiate from a position of equality.

In 1987, President Gorbachev made it clear that the Soviet Union no longer supported the idea of strategic parity. As Soviet arms supplies were reduced and then evaporated after the disintegration of the Soviet Union, Asad has made a number of significant strategic manoeuvres, including a gradual rapprochement with the United States. The critical turning point was the Gulf War when Syrian forces joined the anti-Iraq coalition. Asad's willingness to attend the Madrid Conference and be engaged in the peace process was also a response to the new international environment. With the United States as the dominant power in the region, Asad realised that

participation was the minimal price for preserving Syria's regional and international prestige.[41]

The PLO has also had historically close relations with the Soviet Union. The demise of the Soviet Union affected its diplomatic position and undermined any other alternative apart from direct negotiations with the United States and Israel. But, for the PLO, the most damaging consequence of the Soviet change in policy was the large-scale emigration of Soviet Jews to Israel. The 500,000 Jewish immigrants to Israel undercut the PLO's demographic argument that the Palestinian population would eventually outnumber the Jewish population. The influx of highly educated and technologically sophisticated immigrants also gave a considerable economic boost to Israel, increasing the level of demand and being a significant factor in Israel's very high growth rates since 1989 (averaging 5-6% per annum).[42]

Finally, the end of the Cold War removed one of the major sources of external support for the Arab-Israeli conflict. As the superpowers ceased to compete against each other, and as the regional parties involved realised that the outside world would not be willing to continue financing and supporting the conflict, a greater moderation and pragmatism emerged.

- *The Gulf War*

The Arab-Israeli conflict is so deeply entrenched that progress towards a resolution often requires a major external shock. The Gulf War dramatically provided this.

First, it re-affirmed the contention that there could be no military solution to the problems of the region. The comprehensive defeat of Iraq destroyed the pretensions of a pan-Arab military challenge to the West, which had so captivated large parts of the Arab world in the build-up to the war.

Second, the war clearly exposed inter-Arab divisions. The Arab League broke apart as Arab countries divided in their support for and against the military liberation of Kuwait. These divisions have not been healed after the termination of the war. In particular, the support given during the conflict by the Palestinians and Jordanians towards Iraq considerably damaged their

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relations with Saudi Arabia and the other GCC states. Both peoples had depended greatly on aid and remittances from the oil-rich Gulf states. King Hussein of Jordan and Yasser Arafat of the PLO also suffered a considerable financial short-fall, which reduced their political options.

Third, although the war indirectly confirmed Israel's military power, particularly given its close alliance with the United States, it also highlighted its military vulnerabilities. The Iraqi SCUD attacks showed that, as more countries acquire long-range ballistic missiles, the notion of strategic depth and territorial control lose their significance. The current Israeli Foreign Minister, Shimon Peres, has been a strong advocate of the view that the notion of security must be revised and that greater efforts must be made to seeking a resolution of the political problems of the region.

Fourth, the Gulf War confirmed US power in the region. The subsequent determination of the Bush administration to make significant progress towards a resolution of the Arab-Israeli conflict could not be ignored by the countries and parties concerned. Nevertheless, the considerable efforts made by Secretary of State James Baker towards the convening of the Madrid Conference in November 1991 was a major personal achievement. The success in cajoling Yitzhak Shamir, the intransigent Israeli prime minister, to attend the conference required considerable arm-twisting, including the threat of denying loan guarantees of up to $10 bn.[43] Not all US administrations are willing to contemplate such potentially confrontational tactics with Israel. It was, though, this US resolve which ultimately set the stage for the substantive Israeli bilateral negotiations with its principal neighbouring enemies.

The Palestinian and Jordanian Breakthroughs

Negotiations after the Madrid Conference

After the Madrid Conference, bilateral committees were established for continuing the negotiations. However, for dealing with the Palestinian

question, Israel insisted that there should be a joint Palestinian-Jordanian delegation with non-PLO Palestinian representatives to be drawn from the West Bank and Gaza Strip, excluding East Jerusalem. These conditions, which sought to exclude the PLO from any role in the peace process, necessarily undermined the negotiating strength of the delegation. The unwillingness of the Likud government to consider any meaningful concessions for the occupied territories added to the essential futility of the bilateral discussions. Procedural issues were endlessly examined whilst substantive issues were barely touched. The other tracks of the peace process, the Syrian, Lebanese and Jordanian, were no more fruitful.

The first major breakthrough was one internal to the Israeli political scene. The June 1992 Knesset elections brought in a clear Labour plurality and a mandate to form a government. As with all electoral shifts, the loss of voter confidence in Likud involved a variety of factors, including strictly domestic concerns over the running of the economy. But one vital element was dissatisfaction with Likud's insistence on giving budgetary and ideological priority to settling the West Bank and Gaza, whatever the strategic and economic cost to Israel. The new Israeli government under Yitzhak Rabin clearly believed that it had a mandate for a change in Israeli policy-making, re-allocating resources away from constructing settlements on the West Bank towards the requirements of economic reform within Israel. On the peace process, Rabin stressed his commitment to a direct territory-for-peace policy in negotiations.

The tenor and speed of the bilateral negotiations considerably improved after Rabin's election victory. Rabin's negotiating preference, which he had also established when he was prime minister in the mid-1970s, was to deal separately and sequentially with Israel's Arab neighbours. Although he initially hinted that seeking an autonomy agreement with the Palestinians would be the most urgent issue, under US pressure and following the advice of Israeli intelligence, he decided to focus most efforts on the Syrian track. With the nomination of a new chief negotiator with the Syrians, Itamar Rabinovich, in August 1992, serious Israeli-Syrian negotiations took place.

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The Oslo Accord

However, it was not to be on the Syrian track that the first major break-through occurred. After secret negotiations between Israel and the PLO in Norway, an agreement between the PLO and Israel on a Declaration of Principles was initialled in August 1993 and signed in Washington on 13 September.

The first reason for this surprising development was the failure to overcome the obstacles to an Israeli-Syrian agreement. The problem was not so much on the conceptual level - both Syria and Israel understand that a final agreement would require something very close to a full Israeli withdrawal in exchange for a full peace of normalisation. Rather, the difficulty has been that neither party has been willing to make the radical concessions required, which would necessitate overcoming considerable domestic opposition (See Section 2.5 below for more detailed analysis of the Syrian-Israeli negotiations). As a result, the Israeli-Syrian talks have been painstakingly slow to advance.

Yet, the very fact that Syria and Israel were negotiating seriously was enough greatly to alarm other Arab parties to the dispute. Such alarm was also intensified by the constant speculation from the Arab and international press that a Syrian-Israeli breakthrough was in the making.

For Yasser Arafat of the PLO, the prospect of Syria being the first to conclude peace with Israel was particularly threatening. Arafat's dilemma was part of a general crisis facing the PLO in the aftermath of the Gulf War. Arafat's ill-considered support for Saddam Hussein during the conflict had alienated significant sources of support. The loss of financial backing from Saudi Arabia and the Gulf states had crippled the finances of the PLO and had severely weakened Arafat's ability to secure support through his normal lines of patronage. As PLO officials and dependents failed to receive their regular wages or handouts, dissatisfaction with Arafat and the PLO bureaucracy became more vocal. On the occupied territories, pro-PLO groups began increasingly to lose support to the Islamist groups like Hamas

and Islamic Jihad. With Arafat and the PLO isolated in Tunis, their political fortunes appeared to be in terminal decline.

A Syrian-Israeli breakthrough would probably have finally sealed the PLO's fate. With Syria neutralised, Israel would have been in a stronger bargaining position to pursue autonomy arrangements directly with the inhabitants of the West Bank and Gaza, bypassing the PLO. Given Asad's personal dislike of Arafat and of any independent Palestinian decision-making, he would also have done all in his power to exclude Arafat and the PLO from any substantive participation in the Palestinian talks. Asad would probably have sought a Syrian-Jordanian coordination to promote and protect the interests of the Palestinians in negotiations with Israel. It is primarily these fears of the PLO's (and his personal) marginalisation that drove Arafat to seek a direct and unilateral peace with Israel.[44]

For its part, Israel was willing to accommodate Arafat's willingness to compromise because ultimately Arafat offered an attractive alternative to the hard decisions required to forge peace with Syria.

First, in contrast to a Syrian agreement which would have required agreeing to some highly controversial issues, such as the dismantling of the Golan Heights settlements and territorial withdrawal, the Israel-PLO Declaration of Principles required no immediate concessions. It only involved a commitment to an interim process, where all the truly difficult issues were left to some later date. Second, progress in the Palestinian track went to the very heart of the dispute between the Jews and the Arabs. It presented Rabin with a geniune prospect for resolving the major source of Israeli insecurity, which was the threat of Palestinian attacks on Jews residing within Israel or Israeli-occupied territory. On the level of popular consciousness, this threat of Palestinian terror was far more significant than the distant danger of Syria's armed forces. And third, Israel feared that if they did not deal with the PLO now then future Palestinian politics might be dominated by Islamic fundamentalism with its uncompromising hostility to the state of Israel.

Nevertheless, as the film coverage in Washington showed, it was a difficult decision for Rabin to make peace with Arafat, who had for so long been depicted as the arch-terrorist of the Palestinian cause. It was, though, a calculated decision. Unlike Shimon Peres, who presents himself as a statesman of grand visions, Rabin is known for his overriding concern with detail and his obsession with Israel's security needs. In the end, he decided to promote the Oslo accord not because of any sentimental concern or visionary expectation but because he judged it would increase Israel's security.

Implementation of the Declaration of Principles

The Declaration of Principles (DOP) contained a set of mutually agreed-upon general principles regarding the five-year interim period of Palestinian self-rule. The DOP defers permanent status issues to the permanent status negotiations, which will begin no later than the third year of the interim period. The permanent status agreement reached in these negotiations will take place after the 5-year interim period.

The DOP explicitly states that permanent issues, such as Jerusalem, refugees, settlements and borders are to be excluded from the interim arrangements and the outcome of the permanent status talks should not be prejudged or preempted by the interim arrangements. During this 5-year interim period, the Israeli government retains sole responsibility for foreign affairs, defence and borders.

The DOP established the following phases, the first two of which have been broadly implemented, and the third has been agreed and is in the process of implementation:

* *Gaza-Jericho*
  Self rule in the Gaza Strip and the Jericho area. The details of the Gaza-Jericho aspect of the DOP were negotiated for over seven months and were concluded in an agreement signed in Cairo between Israel and the PLO in May 1994. The agreement includes a withdrawal of Israeli forces, though

Israel remains responsible for the security of Israeli settlements in the Gaza Strip and for external security. The Palestinian police force would be responsible for internal security and for civil order; it was agreed that the force would include 9,000 policemen, 7,000 of whom could come from abroad. It was also agreed that Palestinians would act to "prevent terror against Israelis in the areas under their control".

The agreement also involved a full transfer of civil affairs in a number of spheres from the Israeli civil administration in Gaza and Jericho to the Palestinian Authority. Similarly, the PA gained certain defined legal powers. Finally, there was negotiated an economic agreement over such issues as import/export, monetary policy, taxation, and the Palestinian work force employed in Israel.

- *Early Empowerment*
In August 1994, there was an agreement for the early transfer of powers from Israel to Palestinian authorities in a number of spheres in those parts of the territories not covered by the Gaza-Jericho agreement. There were five specific spheres: education and culture, health, social welfare, tourism, and taxation. A provision for the PLO to collect VAT on local West Bank produce was also concluded so as to help fill the PA's shortfall as the tax system was being set up.

- *The Interim Agreement and Elections*
It was originally set out that this phase of the DOP would involve a comprehensive agreement on the transfer of powers and responsibilities in the West Bank from Israel to an elected Palestinian Council. The Interim Agreement would detail the self-government arrangements in the West Bank and Gaza. Preceding or concurrent with elections for a Palestinian self-governing body, Israeli forces would be redeployed outside populated areas to specified locations.

Israel and the PLO engaged in complex and tortuous negotiations before finally reaching an agreement in September 1995, one and a half years behind the original schedule. The main stumbling block for Israel was over

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security arrangements for the West Bank, a concern which was greatly exacerbated by the increasing frequency and deadliness of Islamist-inspired terrorist attacks on Jewish citizens throughout 1995. Israel also refused to consider - during this phase - any change to the status of the existing West bank settlements, which created negotiating obstacles for the Palestinian town of Hebron, where a small Jewish settlement exists in the heart of the city. This issue was particularly sensitive for the Palestinian negotiators, since they needed to demonstrate to their own community that the negotiations were not just one-sided and dictated by Israel's growing number of security demands but genuinely furthered Palestinian political, economic and national objectives.

However, despite these obstacles, an agreement was finally reached in September 1995. The agreement has two main aspects: first, a gradual Israeli withdrawal of forces from the principal Palestinian population centres; second, elections to take place on the West Bank and Gaza Strip once Israeli re-deployment has taken place, probably in Spring 1996. As a result of the Israeli redeployment, the PA gains full control of the main West Bank towns, with the exception of Hebron where Israel will continue to have a military presence to protect the security of the settlements within the city. In the 440 villages of the West Bank, the PA has civil authority and responsibility for public order but Israel retains the ultimate military and security responsibility. The Israeli redeployment will provide the preconditions for elections on the West Bank and Gaza Strip for a Palestinian assembly. These elections will consist of two electoral parts; first, elections for an 82-member council and second, elections for the presidency of the Council, which Yasser Arafat is almost bound to win.

- *The Permanent Status*
Negotiations between Israel and the Palestinians will not start later than the beginning of the third year of the interim period (May 1996). These talks will determine the nature of the final settlement between the two sides. The issues to be covered will include: Jerusalem, refugees, settlements, security arrangements, borders, and relations and cooperation with other neighbours.

Under the DOP, the permanent status will take place 5 years after the Gaza-Jericho Agreement, namely May 1999.

Israel-Jordan Peace Treaty

On 26 October 1994, Jordan signed a full peace treaty with Israel which ended 46 years of a state of war between the two countries. Jordan thus became the second of the four neighbouring countries of Israel to break out of the official cycle of war. On one level, King Hussein's decision to make peace with Israel was unsurprising. Following the example of his grandfather King Abdullah, King Hussein has maintained strong, if secret, links with Israel and there has always been considerable mutual understanding between the two formally warring parties. In reality, there has, for a long time, been a *de facto* peace between Jordan and Israel.[45]

However, King Hussein's decision to commit Jordan to a full peace treaty with Israel was also unexpected. Throughout his life, King Hussein has been intimately aware of the geo-strategic vulnerability of Jordan. He has learnt from hard experience that the continued survival of his country, as well as the continuation of the Hashemite dynasty, has depended on not straying too far from the general Arab consensus. The PLO's unilateral move in signing the Oslo Agreement undoubtedly increased King Hussein's room for manoeuvre. But, it was still expected that he would not risk a move which would be suspected by Syria as an attempt to isolate and weaken it. It was thought that the King would prefer to continue with tacit understandings and agreements with Israel, leaving the signing of a peace until a much later stage.

The decision to make this move appears to have been predicated on a number of inter-related factors:

- Fear that Israel might make fast progress on the Palestinian track and thereby leave Jordan with little or no influence on the West Bank. The prospect of potentially being barred from this market would greatly increase

Jordan's economic difficulties, especially given Jordan's troubled relations with Saudi Arabia after the Gulf War.

- Like the PLO, fear that Syria might strike a deal with Israel at short notice.
- That a peace treaty would radically improve relations with the United States and thus gain help in writing off its debts. King Hussein's request to the United States for $2.5bn in aid and $12bn in military aid indicated how material considerations influenced the decision to reach a full peace with Israel.
- Israel would cease not only to be a threat but would also have a direct interest in preserving Jordan's stability. Through defining their borders, Jordan need no longer fear that Israel would push Palestinians out of its territories into Jordan (in the treaty, clause 6 in article 2 explicitly forbids moving a civilian population against its will). The long-held revisionist (Likud) conviction that Jordan equals Palestine was also safely despatched by the meeting between Crown Prince Hassan and the Likud leader Benjamin Netanyahu soon after the signing of the Treaty.

The Treaty deals with most of the outstanding issues between Israel and Jordan. Israel has returned territory to Jordan but has not had to dismantle settlements near to the border whose economy depends on these lands for water. A complex leasing arrangement has been agreed for two small pieces of territory. Israel will provide more water from the Jordan river and will maintain Jordan's special position with regard to the shrines holy to Islam in East Jerusalem. Both countries agree to permit freedom of passage and to ensure that neither side joins a coalition whose objectives include military aggression against the other party. However, not all issues have been fully resolved, in particular the agreement does not cover the problem of refugees in Jordan. This issue has been shifted to the quadrilateral talks which include Egypt and the PLO. Nevertheless, Israel will provide some relief by aiding the return to the West Bank of the Palestinians uprooted by the 1967 war.

The Future of the Palestinian-Israeli Negotiations

Disillusion in Israel

The assassination of the Israeli Prime Minister Yitzhak Rabin in November 1995 was a dramatic and terrible reminder of the deep divisions within Israeli society over the development and progress of the peace process. Compared to the initial enthusiasm and even euphoria over the Oslo Accord and the subsequent Jordan-Israel Peace Treaty, there has been a significant increase in Israeli disenchantment with the peace process, which the September 1995 Israel-PLO Interim Agreement had done little to relieve.

One important reason why the Israeli mood has shifted has been the resurgence of terrorist attacks, mainly involving Islamist-inspired attacks on Jewish citizens. From the signing of the agreement on the White House lawn in September 1993 until Autumn 1995 over 100 Israelis, many inside Israel, have been killed by knife, gun or bomb. Suicide bombers from Islamic Jihad and Hamas have caused the major casualties: on 29 October 1994 a passenger on a bus in central Tel Aviv exploded a bomb which killed himself and 21 other passengers; in January 1995 two suicide bomber in Beit Lid killed over 20 Israelis in a pub frequented by Israeli soldiers; and in August 1995, 6 people were killed and 100 injured in a bomb attack on a bus in a Jerusalem neighbourhood.

The problem facing the Israeli government is that, for the general Israeli public, the issue of personal security is the critical test of the success or failure of the peace process. Other potential "peace dividend" gains, such as breaking down the Arab wall of opposition, the lifting of the trade boycotts, the increased international legitimacy of the state of Israel, the opening of diplomatic relations with over 50 states since the Madrid conference - all of these gains are secondary to the desire of the Israeli population to be able to live without fear in their own country. The failure of Israel and the PLO to deliver this has considerably tarnished the gloss of their agreement, ultimately costing the life of Prime Minister Yitzhak Rabin.

The assassination of Rabin has inevitably sent the Israeli political system into a considerable crisis and made prediction even harder for the outcome of the 1996 Knesset elections. These elections will follow new, and rather unusual, rules whereby there will be separate elections to the position of the prime minister and to the parliament. It was thought that, even if Likud were to win the parliamentary elections, Rabin would probably win the prime ministerial elections, thus ensuring a degree of continuity in the peace process. Shimon Peres, the new interim prime minister, does not have the same charismatic appeal as his predecessor and has even less room for further concessions towards peace prior to the elections.

The Israeli political system is also undergoing some major realignments and structural shifts, reflecting the changed international environment after the end of the Cold war. Like many other socialist or social democratic parties, the Labour party appears to be in the greatest difficulties in adapting to these new circumstances. Prior to his assassination, some of the difficulties of the party were due to widespread dissatisfaction with Rabin's leadership, with his excessive concentration of powers (he was concurrently defence minister, religious affairs minister, minister of the interior as well as prime minister), and disappointment with his performance in areas such as health reform, education, taxation and the economy.[46] But, the problems facing the party went deeper than Rabin's personality - the Labour establishment's loss of the Histradut, the real power-base of the party, and the threats of major corruption scandals emerging from the exposure of union documents, have been very damaging to the credibility of the party. Figures like Haim Ramon, who left the Labour Party and then successfully captured leadership of the Histradut, could potentially emerge as a new force on the left, reflecting the more social democratic views of the young well-educated Israelis.[47]

However, it still appears unlikely that any of these underlying shifts will greatly affect the elections in 1996 being a contest fought primarily between Labour and Likud. These two parties represent the great divide in Israeli self-identity as a nation and in its attitude to the land of Israel and its indigenous Arab population. In more physical terms, the presence of

150.000 Israeli settlers on the West Bank and Gaza Strip is the most concrete expression of this fundamental fissure inside Israeli society. As Rabin has shown, even when an Israeli party is elected on a mandate of seeking peace in exchange for territory, there are severe constraints to implementing this mandate. Close to the consciousness of every Israeli statesman is the fear of a civil war breaking out between Jews, as so nearly occurred in the struggle for independence. To avoid that is the overriding political objective, which means that whoever is in power in Israel will only ever move slowly and cautiously towards a settlement with the Arab Palestinian population.

The PLO, the West Bank and the Gaza Strip

The September 1995 Interim Agreement gave Arafat a much needed boost of confidence and popularity, which was buttressed by the widespread perception that he had engaged in serious negotiations which had extracted substantive concessions from Israel. The elections which take place in 1996 for the Palestinian Council and Presidency can be expected further to strengthen and add legitimacy to his position. However, the dilemmas and difficulties facing Arafat and his administration are not going to be substantively lessened in the near future. Arafat will continue to have to demonstrate that he is not just acting as a proxy for the Israeli security forces and that he is genuinely improving the social, economic and political position of the Palestinian people. In this regard, there are three particular challenges he faces: dealing with the economic situation on the West Bank and Gaza Strip; consolidating his political position and the newly elected Palestinian Council; and advancing the peace process with Israel.

The Economic Situation

The economy of the West Bank and the Gaza Strip is very small with GNP in 1991 being $3bn (35% more than GDP), contrasting with the Israeli GDP of $64.77bn in 1993. Agriculture accounts for 20% of GDP and absorbs a quarter of the labour force and 60% of exports, with industry only representing 7% of GDP. Until recently, over 110,000 Palestinians worked in Israel; the number has been reduced to about 20,000 in 1995, though there continue to be comprehensive closures after major terrorist incidents. Israel intends to replace the vast majority of Palestinian workers with migrants from Asia, whose numbers are set to increase to over 70,000. The consequences of these closures is dramatic: unemployment has been estimated at 55% in the Gaza Strip and 40% in the West Bank and the economic losses due to the closures in 1994 have been assessed to be broadly equivalent to the total aid disbursements. Living standards on the West Bank have fallen by 35% since 1993.[48]

These bleak economic prospects are somewhat mitigated by the existence of a number of untapped resources. There is an educated and skilled workforce; the potential to develop tourism; a network of NGOs, which could act as powerful economic agents; and financial support from aid flows pledged by the international community alongside potentially large capital flows from the Palestinian diaspora. In the medium to long-term, the Palestinian Authority needs to develop the private sector and to expand trading opportunities, so as to overcome 27 years of Israeli occupation. The Palestinian Authority (PA)-Jordanian economic agreement, signed in January 1995, is a step in this direction, providing a detailed framework for future trade relations.

For the short-term, though, it will be aid that will be the principal engine of growth. The PA continues to suffer a budget deficit crisis through its inability to meet tax collection targets, caused by closure, by worsening economic conditions, and by delays in establishing a tax collection system. Donors are expecting to continue supporting PA running costs into the next budget period which started on 1 April.

Despite the widespread feeling that aid has so far been too slow in coming and that conditions set for disbursement have been too tough, the World Bank has estimated that disbursements (excluding regular assistance) in 1994 totalled $242m, representing 60% of the expected amount. Commitments, particularly from Europe, continue to be pledged; the EC has pledged $300m in project grants to the end of 1998 and bilateral aid pledged by EU members amounts to an additional $227m. US pledges for the five years totals $500m. The World Bank has also announced its intention to implement the $128m Emergency Rehabilitation Programme within the next year.[49]

The key task facing aid donors is to ensure the linkage of aid with the development of a truly democratic electoral system, which ensures that access to international funds is tied to democratic accountability. It will be this sort of pressure which will direct Arafat towards cementing a broad-based coalition of support rather than his more natural predilection to rely on networks of support based on cronyism and clientelism. It is also vital that, as the private sector acts as the engine for growth, it goes into electricity, road and sewage works rather than private villas. Finally, none of these benefits can be secured unless Israel can be persuaded to relax its closures to Palestinian labour. This, more than anything else, intensifies the economic crisis on the territories. Continuation of such policies would reduce the Territories to economic Bantustans, where economic despair and desperation would breed extremism, critically undermining support for Arafat and the PA.

The Political Situation

Palestinian politics has traditionally been characterised by extreme factionalism. During the British mandate period, Palestinian opposition to the Zionist programme was greatly weakened by conflicts between different notable families and their respective parties. During the Arab rebellion (1936-9) and the Jewish-Palestinian civil war (1947-8 after the British

decision to relinquish its mandate), the Palestinian resistance was constantly undermined by intra-Palestinian disputes and conflicts. The tendency towards factionalism was inherited by the PLO. From its formation in 1964, the PLO was an umbrella group for a wide range of different factions, reflecting varying social origins and ideological programmes. Even though Arafat's faction, Fatah, was consistently the most influential and dominant force in Palestinian politics, it could not act without securing substantial support from other factions.[50]

Palestinian politics has become even more complex in the aftermath of the Oslo agreement and the return of Arafat to the West Bank and Gaza Strip. Arafat's principal challenge has been to create a new bedrock of support for his leadership and his policies. Previously, the main bases of his support lay in the refugee camps, most of which were located in neighbouring Arab states. With the Oslo Accord, Arafat has to turn his back on these constituencies and seek new alliances and coalitions. In addition, Arafat has to deal with the problem of his personal legitimacy. From being the leader of revolutionary movement of national liberation, Arafat is particularly vulnerable to charges that he has capitulated to Israel. In broad terms, Arafat can rely for support from the following parties:

- *Fatah*
  This still remains the most popular and well-organised of the Palestinian political movements and polls suggest that it holds the allegiance of around 50% of the Palestinian population in the West Bank and Gaza Strip. However, Fatah has always been a heterogeneous group which has included many diverging tendencies. Whilst Arafat can safely count on Fatah activists within the PA, the technocrats within the civil service and the Palestinian Economic Council for Development and Reconstruction (PECDAR) have been critical of Arafat's patrimonial politics. There are also endemic tensions between Fatah activists who were involved in the Intifada and those who have come back from exile in Tunis. Finally, there are high-ranking Fatah leaders, such as Mahmoud Abbas (Abu Mazen) and Faruq Qadummi, who have been critical of the post-Oslo developments.

- *Fida*

  This is the party established by the close Arafat adviser, Yasser Abd Rabbu, formerly of the leftist DFLP.

- *Palestine Peoples Party*

  The former communist party which always recognised the existence of Israel, with local leaders Bashir Barghuti and Ghassan al-Khatib. It has traditionally been supportive of Arafat, though it has expressed its opposition to the post-Cairo agreement negotiations.

The formal opposition to Arafat is provided by an uneasy alliance of the Islamist and secular nationalist groups. The most important of these is:

- *Hamas*

  This is an Islamist group which was formed from the ranks of the Muslim Brotherhood at the time of the Intifada (Islamic Jihad is the other major Islamist group but is smaller and less influential). As with other Islamist groups in the Middle East, Hamas owes its ascendancy to the reputation of its members who are not tainted by accusations of corruption, its effective social service networks, and its grass-roots political work amongst the young. Hamas is also strong because its military wing, the Izz al-Din al-Qassam Brigades, is the only one that undertakes confrontations and attacks on Israeli settlers and troops. Hamas is thought to have the support of around 20% in the West Bank and Gaza Strip, though in Gaza this might reach as high as 40%. Hamas is not opposed to elections in principle. Indeed, it supports elections for practically every purpose (municipalities, chambers of commerce, the Palestine National Council) except for the proposed Council under the DOP. Hamas has officially stated that it will call for a peaceful boycott of these elections, although there are continual rumours that the PLO and Hamas are negotiating for the participation of Hamas in the elections.[51]

- *PFLP and DFLP*

  The Popular Front for the Liberation of Palestine (leader George Habash) and the Democratic Front for the Liberation of Palestine (leader Nayif Hawatmeh) are the two major leftist Arab nationalist parties, which have traditionally been the "loyal" opposition to the ascendancy of Fatah in the PLO. However, they have been strongly opposed to the Oslo Accord. But their support is not great in the Occupied Territories and their alliance with the Islamist groups is distinctly uneasy. Nevertheless, they have a bedrock of support which the other rejectionist factions do not have (for example, PFLP-GC, Fatah-Intifada, Saiqa, PLF...).

In seeking to overcome this opposition and to strengthen his position, Arafat has had the advantage of incumbency and the support of the international community. He has also at hand the coercive powers of around 17,500 police/security forces (the 9,000 police plus the Fatah military groups from the Intifada struggle). His strategy has been primarily to garner support through the politics of patronage and the repression of dissent. In the recent period, his confidence has been growing. A September 1995 poll showed 49-55% support for Arafat in the presidential election with the next closest potential contender, Sheikh Yassin, receiving 12-13%.[52] Arafat has carefully nurtured a coalition of support from the military (former PLA) and from the West Bank and Gaza Strip notables and landowning families. The latter are vital for ensuring loyalty against Hashemite claims. As this base of support has consolidated, he has felt more confident in cracking down on Islamist groups and creating a more compliant opposition.

Even though Arafat has built up support within the Occupied Territories by traditional patrimonial, non-democratic methods, it is still vital that he engages in a demonstrably fair electoral process. Without a genuine democratic mandate, Arafat will continue having a stigma attached to his legitimacy. He would also have to continue resorting to a mix of patrimonialism and authoritarian repression for his rule, which would ultimately provide fertile ground for the strengthening of the Islamist opposition. Instituting

structures of democratic accountability is a vital development for the Palestinian entity, both for its economic and its political prospects. It is critical that Arafat's predeliction for authoritarianism is given a good democratic antidote. Elections are the first vital step.

Jordan and the Politics of Normalisation

King Hussein is naturally in a far stronger position than Yasser Arafat to consolidate peace with Israel and to ensure that opposition to the treaty remains muted. King Hussein has survived in power for over forty years and has built up a powerful bedrock of support through the unquestioning loyalty of the military and the general allegiance of the Trans-Jordanian population. Nevertheless, the King is not an absolute monarch and he has to be sensitive to domestic developments. The riots in 1989, which for the first time expressed Trans-Jordanian (as against Palestinian) protest at the economic and political situation, was a major setback to his rule. He was forced to permit a degree of political liberalisation, the re-convening of the parliament and direct legislative elections. As a result of these elections, a number of opposition groups emerged, of which the most organised and coherent was the Islamic Action Front, an Islamist party drawn from the Jordanian Muslim brotherhood.

When the Jordan-Israel Peace Treaty was signed in October 1994, the peace process seemed to moving inexorably forward. But the subsequent paralysis in the Israeli-Palestinian negotiations and the increased disillusion on both sides has also percolated into Jordan. The steadfast opposition to the treaty offered by the Islamic Action Group has found an increasingly receptive audience in the wider Jordanian population. The most prominent sources of dissatisfaction have been:

* The small rewards from the "peace dividend". The US refusal to offer large commitments of aid had been a particular source of disillusion. Instead of the $2.5 bn demanded over ten years, the US Congress provided a paltry

$43m for 1995 and continues balking at writing off Jordan's debts. It was generally expected that the US would finance the peace treaty with the same generosity as the Egyptian-Israeli peace. As this has been shown to be not the case, King Hussein's move towards full peace appears more precipitous, and even naive. With 30% of the population living below the poverty line and 5% in absolute poverty, popular dissatisfaction at not gaining the fruits of the much vaunted "peace dividend" could be damaging to the regime. The Islamic Action Front will be the most natural beneficiary.

- The success of the Israel-Jordan treaty is dependent on continued success in furthering Palestinian autonomy. When the Palestinian track fails to advance, the pressures on Jordan become acute, especially since around 60% of the population within Jordan is of Palestinian origin. If a real stalemate were reached, this could greatly exacerbate Trans-Jordanian and Palestinian relations.

- The failure of a breakthrough on the Syrian track. Syria voiced its displeasure at King Hussein's decision to sign a peace but stated that it would not directly oppose it. But, the longer Syria stays out, the more isolated the King's position might appear. There are even rumours that Syria offered the possibility of federation to persuade King Hussein to change his mind. If this were to be proved true, it would greatly undermine King Hussein's nationalist credentials.

Despite these concerns, the King's position is not under direct threat, given the considerable charisma and the legitimacy that he possesses. But it is now clearer that the peace treaty is not a panacea for resolving the difficulties of the kingdom. There remains the pressure from below for greater liberalisation of the political system; there will be difficult choices over the fate of the Palestinians residing in Jordan; and Jordan will have to survive the treacherous waters of inter-Arab politics. Critics of the King, such as Ahmad Ubaydat who was a former chief of the secret police, has been saying that "With Oslo, Arafat opened the gates of hell, and Jordan passed all too easily through them". There is a distinct danger to the King if too many other Jordanians were to echo these sentiments.[53]

Scenarios for the Next Stage of DOP

After the September 1995 Interim Agreement, it is unlikely that there are going to be any major developments in the peace process until after the Palestinian, Israeli and US elections scheduled for 1996. The future of the peace process is necessarily going to be highly dependent on the outcome of these elections. However, three general scenarios can perhaps be presented, outlining the main differing avenues which the process could follow.

Scenario 1 - Separation and no Palestinian State

This is probably the best description of the underlying dynamic of the peace process - an agreement by both Israelis and Palestinians that they have to separate, not just through territorial partition but also socially, culturally and even economically. Israelis are particularly keen on this definition of the peace process. It is a term that Rabin used frequently - after the Beit-Lid terrorist attack in Januray 1995, he even contemplated a literal physical separation with a fence to be constructed between the two communities.[54]

This extreme version of separation has not been implemented but the dynamic of the DOP has been towards a gradual separation of the two peoples. Israel has placed far greater barriers to the movement of Palestinian labour inside Israel and, within the West Bank and Gaza Strip, there has been a complex Israeli-PA sharing of civil and security resonsibilities. As a consequence, the West Bank and Gaza Strip now represents a complex mosaic of Palestinian-controlled sectors speckled by numerous Israeli-controlled settlements.

The concept of separation undoubtedly has an important psychological function in legitimizing the mutual compromises that both sides in the conflict have to make to further the peace process. However, there are clear dangers if it is interpreted too literally. In certain areas, such as Jerusalem, no clear separation can be made and Palestinians and Jews will necessarily have to continue to co-exist. In economic terms, separation would inevita-

bly damage the fragile and impoverished economies of the West Bank and Gaza Strip, with the resultant poverty and desperation inevitably fuelling political extremism. There is also the danger that, if a new Israeli government in 1996 were to be less committed to the peace process, it might seek to freeze the present situation, with in effect the new democratically-elected Palestinian Council having authority over a series of Bantustans. In the longer term, this would be a politically intolerable situation, which could easily lead to a new *intifada* and the resulting violence inevitably flowing into Israel, whether through Jerusalem or by infiltration across the green line.

Scenario 2 - The Neo-Jordanian option

The new Israeli government might prefer to follow a policy of separation by stealth, keeping the PA at the negotiating table by offers of partial withdrawal but secretly grooming King Hussein of Jordan to take over the nascent Palestinian entity. Both Labour, which has always historically supported the Jordan Option, and Likud, which has been a recent convert to this cause, could potentially follow this avenue. In this scenario, King Hussein and his allies among the old notable elite would supplant the PA, and Jordan would provide the military and administrative means to control and crush Hamas and Islamic Jihad.

For the moment, this option would not gain much support east of the Jordan river. Jordan has already rebuffed Arafat's call for an immediate confederation; the PA has signed an economic agreement with Jordan which satisfies the Jordanian business elites; and the Jordanian security forces fear further entanglement with Palestinian affairs. More importantly, reoccupying the West Bank could prove a recipe for Islamic upheaval on both banks. It would open the way for co-operation between Jordan's Islamic Action Front, chief opponent of the treaty with Israel, and Hamas. Should such a coalition attract disgruntled Trans-Jordanians, the bedrock of King Hussein's regime, this could create severe political instability.

Scenario 3 - Separation but Co-operation

This is the most optimistic scenario, which would involve both a process of separation but also the gradual democratic consolidation of a Palestinian entity (becoming in time a state), which would be sufficiently trusted to engage in substantive economic, political and social interaction with Israel and its other neighbours.

Such a scenario requires a continued Israeli and Palestinian willingness to continue on the path of a historic reconciliation between the two peoples. This, in turn, involves the fulfilment of two necessary conditions. First, the process of forming a distinct Palestinian entity/state needs to be advanced as at fast a pace as possible. The Palestinian elections planned for 1996 are vital in this regard, providing Arafat with a much needed democratic mandate and establishing better conditions for genuine democratic accountability and transparency in Palestinian institutions and decision-making. The second vital condition is that the 1996 Israeli elections provide a clear mandate for extending the peace negotiations, which is not defined purely in terms of separation or of reviving the Jordanian option, but seeks a future Israeli-Palestinian relationship of genuine social, economic and political co-operation. Ultimately, it would also require the Israelis to accept the inevitability of a Palestinian state. It is only then that there could be sufficient trust, and acceptance of a mutual equality, which could become the basis if building a new and mutually advantageous relationship.

The Syrian Track

Asad's Caution

President Asad has always been a most cautious peacemaker. The Israeli-Syrian disengagement treaty, signed in 1974, was only negotiated after Henry Kissinger shuttled between Damascus and Jerusalem for almost three solid weeks. Asad has always kept his negotiating cards close to his

chest and he has been willing to walk away from talks, if he thinks that the circumstances are not favourable. Asad was bitterly opposed to the Camp David peace process and did everything in his power to obstruct its course. In the late 1970s he embarked on a determined programme, supported by the Soviet Union, to attain "strategic parity" with Israel so as to be able to negotiate from a position of equality. The collapse of the Soviet Union undercut this ambition and forced Asad to seek a rapprochement with the United States. The price he knew he had to pay for this new relationship was to engage in direct peace talks with Israel. But, though willing to pay this price, Asad's has not lost his legendary caution and will not be rushed into an agreement.

The causes behind this caution must be located in the internal politics of Syria and the nature of Asad's rule. Asad came to power in 1970 after Syria had suffered over two decades of political instability and continual coups and counter-coups. During the quarter century of his rule, Asad has given Syria an unprecedented period of stability. The country has progressed economically and has gained a regional influence and power far larger than its relatively small population would appear to merit. Yet, this stability and regional power projection has not come without its cost. Asad has continued to depend on a narrow circle of loyalists, predominantly drawn from his own Alawi community, to ensure his absolute hold on power. Potential sources of opposition have been ruthlessly repressed, as with the Islamist protests from 1979-1982, and Asad has allowed no significant political liberalisation. To justify this authoritarianism, and to obscure the tribal and confessional bases of his rule, the Ba'thist version of Arab nationalism has been vigorously promoted. The struggle against Zionism and imperialism has been the official orthodoxy of Asad's regime.[55]

It is these factors which drive Asad's caution over seeking a peace with Israel. They do not preclude Asad from signing a treaty. From the reports available, it does appear that Asad has made the "strategic decision" to make peace, which reflects his acquiesence to Israel's military invulner-ability, the fact of US hegemony in the region, and the need for the Syrian

economy to secure new investment opportunities. But, Asad wants to make sure that the peace he signs is one which he can present as a just settlement. Asad knows that even a just peace would necessitate major internal changes within Syria which could have unexpected consequences. A peace which could be legitimately criticised by his opponents would be a major threat to his regime.[56]

Obstacles to a Peace

The reality is that both Israel and Syria know the basic outlines of a peace agreement. Syria requires nothing less than the full return of the Golan Heights; Israel requires a full peace of normalisation.

However, neither side has been willing to make the necessary concessions to satisfy each other's concerns. Israeli and Syrian positions continue to diverge on almost every specific point:

* *Extent of withdrawal*
  Syria insists on full withdrawal. Israel particularly objects to withdrawal from the Hamma triangle and the Samakh triangle between the Yarmouk, Jordan and the Sea of Galilee, which were both seized by Syria during the 1948 war, but it is also thinking of making other border amendments. In total, Israel is seeking to perpetuate control over about 10% of the territory of the Golan Heights. Syria also insists on the dismantlement of all settlements, which Rabin has not ruled out in principle but he has refused to make a binding commitment.

* *Duration of withdrawal*
  During Clinton's visit in October 1994, Asad agreed to extend the period of withdrawal from a year to 18 months. Israel has offered an initial partial withdrawal after nine months and an unspecified further withdrawal two to three years later.

- *Normalisation*

    At the same Clinton visit, Asad agreed to establish a modicum of diplomatic relations after the initial withdrawal but full diplomatic relations only after a full withdrawal. Citing the Egyptian precedent, Israel has demanded full diplomatic relations after the initial nine month withdrawal.

- *Security Arrangements*

    There are differences over security arrangements, starting with the reduction of the military forces and ending with the size of the demilitarised zones, as well as over the symmetry of redeployments of Israel and Syria. Syria also wants a UN-headed peacekeeping force, whilst Israel wants approximately 1,000 US troops to be part of a multinational peace force, as in the Sinai.

Scenarios for Peace

Both Israel and Syria realise that time is running out. Whilst Asad can be reassured that he has not compromised his pan-Arab position, he has shown concern over the agreements made by the PLO and Jordan and must have been unhappy with the opening of an Israeli Office of Interests in Morocco and Tunisia and the close ties Israel is forming with Oman and Qatar. The Alexandria conference in January 1995, which brought together Presidents Mubarak and Asad and King Fahd of Saudi Arabia, sought to assuage Asad's fears. However, the prospect of Israeli and US elections in 1996, which could introduce a Likud government and a Republican administration far more hostile to Syria and to the idea of territorial concessions, can only be another source of great concern.

For Shimon Peres, taking over from the assasinated Rabin, the potential options have similarly narrowed. Peres would have to respect Rabin's offer to hold a referendum should an agreement with Syria involve a withdrawal from the Golan Heights. With an election looming, it is clearly impossible for him to venture a massive withdrawal involving the

dismantlement of dozens of settlements on the Golan, some dating back to 1967.

As a consequence there are two probable scenarios for the immediate future. Israel has made clear that the beginning of 1996 represents a deadline for any potential breakthrough, given the oncoming elections, so time is running out.

Scenario 1 - No Breakthrough

The most probable option is that no breakthrough will take place and that the 1996 deadline will pass with both sides as far apart from an agreement as they have been in the past four years.

Scenario 2 - A Declaration of Principles Agreement

The more unlikely but just possible alternative is that Syria and Israel would agree to a Declaration of Principles Agreement, along the lines of the Israeli-PLO Agreement, which would set out the broad outlines of a commitment to a process, leaving the exact details to be thrashed out later. Peres could present this as a major breakthrough but without pre-determining substantive issues. For Asad's part, it would have the advantage of committing the United States, and any future Likud government, to the continuation of the peace process, without again requiring a major compromise on issues of substance. The problem is that, even with such an open-ended agreement, some issues of substance will have to be confronted, requiring concessions from both sides. Israel would have to agree to at least a near-full withdrawal, whilst Syria would have to offer full normalisation at a relatively early date.

Post-Asad Scenarios

President Asad has had major illnesses in the past, such as his heart attack in 1984, and is known to be in ill-health. Given that he could pass away at any moment, the issue of the nature of the succession has considerable

significance. However, the secretive nature of the Syrian regime, and the difficulties of determining the relative strengths of the groups underpinning Asad's hold on power, makes any assessment of the probable successor regime hard to predict. Amongst analysts of Syrian politics, there is little consensus of what a post-Asad Syria would look like. There are three scenarios which are normally presented:

Scenario 1 - An Asad dynasty

From the late 1980s, Asad sought to perpetuate the structures of his regime by building up Basil, his eldest son, as a dynastic successor. Although he was never officially named as a successor, much propagandistic effort was expended on making him appear a proper heir. Basil also had many intrinsic advantages. He had pursued a distinguished military career, had built up his own network in the security services, and was widely respected for not indulging in corruption and public misbehaviour. He had also gained a popularity far beyond the Alawi community. However, Basil's death in a car crash in 1994 undermined this dynastic option. There has been an attempt to promote Asad's second son, Bashar, in Basil's place, but he has neither the political skills nor the power base of his elder brother. It seems unlikely that he would be acceptable as a successor to President Asad.

Scenario 2 - An orderly regime transition

This is the scenario promoted in particular by the German analyst Volker Perthes.[57] He has argued that the Syrian regime under Asad has forged a strong Syrian national identity. As a result, there exists a cohesive coalition of the major Syrian social groups, who are interested in maintaining the stability of the state and its influential regional role. There is, in particular, a strong desire not to return to the state of near anarchy and civil war which occurred in the period from 1979-1982. In this scenario, there would be an orderly transition, following the Syrian constitutional path, which would lead the vice-president, presently Abd al-Halim Khaddam, to act as interim head-of-state. Further developments in the formation of the new regime would follow as similarly orderly and, at least formally, legal path. An

appropriate analogy would be Egypt after the assassination of Sadat, where the military and security strongmen agreed to follow constitutional procedure. Like the Mubarak succession, the new Syrian regime would be less strong, less personalised, and would probably be more cautious in its economic and political policies. But, it would represent continuity and stability.

Scenario 3 - A Descent into civil war

This is the view presented in particular by Daniel Pipes who argues, in contrast to Perthes, that the Syrian regime has never transcended its narrow Alawi confessional and tribal base.[58] With the demise of President Asad, who possessed unique political skills, ruthlessness, and personal charisma, the likelihood is that a ruthless struggle for power would emerge. In particular, military and security factions from the Sunni community would seek to wrest power from the Alawis, and would probably seek to mobilise support through a fundamentalist Islamist ideology. In this scenario, the extraordinary brutality and intensity of the civil unrest of the early 1980s would be re-visited, leading the country to an effective state of anarchy until a new military strongman should emerge.

Although this third scenario might seem alarmist, one need only to look at the recent history of Lebanon and of Iraq to see the continued power of confessional, ethnic and tribal identities and their destructive force. Nevertheless, the second option still seems to be the most likely. But, in either scenario, it is likely that the new Syrian regime would be severely constrained from forging a peace treaty with Israel, at least in the short term. The reasons for this are threefold. First, the new regime would necessarily be engaged primarily in buttressing its internal position. Second, it would not want to provide the opposition, especially an Islamist opposition, with the potential ammunition that it had made a precipitate and unjust deal with Israel. Third, Israel would be very wary of reaching an agreement with a country in a state of political flux and uncertainty.

In the longer term a Sadat figure might emerge, particularly if the second scenario was to be realised. But, the differences between Syria and Egypt should also be noted. Egypt has always had a distinct national identity of its own, separate from the Arab world, and Sadat was able to utilise this specific non-Arab nationalism in forging peace with Israel. Syria, in contrast, has always identified itself as the "beating heart of Arabism" and the fount of Arab nationalism. As a result, there is considerably less domestic support for a full normalisation of relations with Israel.

Part Three :
Persian Gulf Security

Security After the Gulf War

The Gulf war represented the culmination of the historic failures to create a stable security system in the Persian Gulf region. In 1958, the Baghdad Pact, which sought to include Iran and Iraq in a security arrangement with Great Britain, broke apart when the pro-British Iraqi monarchy was swept away by the force of anti-Western Arab nationalism. After the British withdrawal from east of Suez in 1972, the United States assumed responsibility for the security of the Gulf, but it tried to limit its presence by promoting Iran as the central pillar of regional security. The Islamic revolution in Iran in 1979 destroyed that regional arrangement. By implicitly supporting Iraq during the Iran-Iraq war, the Western powers then effectively made Saddam Hussein the new regional power balancer. The massive US-led intervention to expel Iraq from Kuwait in 1991 concluded that fateful experiment.

If there is one lesson to be drawn from this dismal record it is that regional security can only be guaranteed by progress towards more resilient and legitimate governments, and a greater willingness of the states of the region to co-exist peacefully. In this regard, the consequences of the Gulf war have been disappointing. Saddam Hussein remains in power in Iraq, despite four years of sanctions, and the Iraqi regime has not moderated its brutality or repressiveness. The hope that President Rafsanjani might emerge from the Gulf War with a mandate to moderate Iran's behaviour and to recover its international respectability has similarly been dashed. Iran remains defiantly anti-Western and has done little to reassure its neighbours, especially in the Gulf, of its benign intentions. In Saudi Arabia and the Gulf states, there have been a number of tentative attempts to increase popular participation; but they are half-hearted and are proving insufficient to satisfy the rising expectations of their populations. Relations between the Arab Gulf states also continue to be plagued by unresolved territorial and political disputes.

The Policy of Dual Containment

The end-result of these developments is that security in the Persian Gulf continues to depend on a strictly military balance of power, rather than on any process of political or economic convergence. As in the past, the security of the region also remains ultimately guaranteed by external powers. Given its massive military presence and its global hegemonic power, it is the United States which is the dominant external actor and has defined the basic security framework of the region. With the inauguration of the Clinton administration, this framework has been explicitly formulated as a policy of "dual containment".[59] The main objectives of this policy have been:

- To isolate Iraq through the continuation of the sanctions imposed by the post-Gulf war UN Resolution 687. Only when Iraq has fulfilled all the UN resolutions relating to its international obligations should the lifting of sanctions be considered.
- At the same time to isolate Iran. This involves: first, the exclusion of Iran from any regional security arrangements; and second, restricting trade, in particular any items of a potential military application.
- To bolster the security of Saudi Arabia and the Gulf states. This involves: building up the defence capabilities of these countries, including through sales of arms; encouraging regional military cooperation through the GCC; the US and other Western countries providing bilateral security guarantees to Saudi Arabia and the Gulf states.

The policy of dual containment cannot be faulted for its logical simplicity. On the presupposition of the continued threats represented by Iraq and Iran, it seeks to contain, and ideally to reform, these states through the enforcement of their international isolation. Likewise, by recognising the intrinsic security weakness of the Arab Gulf states, it seeks both to strengthen their indigenous capabilities whilst providing an ultimate protective shield of Western military backing.

However, the policy is not without its internal tensions. Other external powers are reluctant to support it, especially Russia and China, and some Western European countries have expressed their reservations. There has been criticism that to place Iran in the same category of isolation as Iraq is unfair, given Iran's recent moderation and the clear criminality of Iraqi behaviour. There are also diverging views on Iran's potential threat to the region. Even some of the Gulf states, like Qatar and Oman, are beginning to question whether barring all contacts with these two large neighbours, who are going to be around for a long time in the future, is a sensible policy from the long-term perspective. In addition, there is always the "nightmare scenario" that, despite the considerable causes for enmity between Iran and Iraq, the effect of their common experience of international isolation might lead them to overlook their differences and join togther in an alliance of pariahs.

However, an even more insidious threat to the dual containment policy lies within Saudi Arabia and the Gulf states. There are a number of signs that opposition to the ruling sheikhs and monarchs on the Arabian peninsula is rising. Western policy might also be contributing to the growing instability. There is evidence that the high-level pressure for the Gulf states to buy ever greater quantities of weapons from Western suppliers might be having a counter-productive effect. Instead of strengthening security from external threats, such sales increase domestic insecurities through mobilising popular dissatisfaction at the high levels of defence expenditures.

The policy of dual containment, therefore, faces three major pressures to its continued viability. First, there is the pressure from other external countries to lift the isolation of Iran and Iraq. Second, there is always the danger that the policy might actually promote a highly destabilising Iranian-Iraqi alliance. Third, there is the problem of internal instability in Saudi Arabia and the Gulf states potentially undermining the close Western security arrangements.

Iraq and Sanctions

Lifting of Sanctions

The special commission (UNSCOM) under Rolf Ekeus, and the UN's International Atomic Energy Agency (IAEA), have seen to the destruction of Iraq's long-range missiles and all of the chemical, biological and nuclear bomb-making equipment that they have uncovered. They have also installed the most intrusive industrial-monitoring system ever devised, so as to ensure that Iraqi scientists will not attempt to re-start any part of a nuclear, chemical or biological programme. With these controls in place, it appeared in early 1995 that Iraq had essentially fulfilled the conditions set out in UN Resolution 687 for the lifting of the oil embargo.[60]

However, Rolf Ekeus reported to the UN on 10 April that he had still not accounted for 17 tonnes of media for growing bacteria, which Iraq had bought in 1988-9. Iraq originally protested that the material was needed for diagnostic purposes in hospitals but Ekeus remained unconvinced. But, in August 1995 Iraq finally admitted to having embarked on an ambitious biological programme and that during the Gulf war it had had ready germ and toxic-filled artillery shells. Iraq also admitted that, at the start of the Gulf conflict in August 1990, it had initiated a crash programme to produce a single nuclear weapon within a year.[61]

These revelations have strengthened the position of those external powers, in particular the United States and Great Britain, seeking to impose harsh conditions for the lifting of sanctions on Iraq. However, although countries such as Russia and France have recently had to continue supporting the maintenance of sanctions as these Iraqi admissions come to light, they have taken, and are likely to continue taking, somewhat diverging positions from the US and British position.

The United States and Great Britain argue that Iraq's behaviour remains substantially unreformed, as the continued human rights violations and the deployment of 60,000 Iraqi troops to the Kuwaiti border in October 1994 showed. They have argued that Iraq must comply not only with the disar-

mament requirements but also with the requirements of other UN resolutions, in particular the repatriation of hundreds of Kuwaitis missing since the occupation, and a marked improvement in the human rights record of the government (as in UN resolution 688).[62]

Russia and France take a more strictly legalistic approach, arguing that the conditions for lifting the oil embargo are explicitly set out in UN resolution 687 and that other resolutions do not apply. They argue that, to keep the oil ban going, once its desired effect has been attained, could risk discrediting the whole operation. They also question the continued utility of the sanctions regime, when they only appear to hurt the people of Iraq more than the regime. As a result, they call for an early lifting of the sanctions.[63]

In promoting their respective positions, national interests are close to the surface. The US and Great Britain do not have significant debt exposures to Iraq. They are also influenced by their Arab Gulf allies, especially Saudi Arabia and Kuwait, who wish to see the continuation of Iraq's quarantine for security and for more narrow economic reasons. If Iraqi oil production were to return to full capacity, oil prices could drop by a third. For their part, Russia and France are owed considerable debts from Iraq (around $5-7bn and $7-10bn respectively) and have necessarily an interest in regaining access to the Iraqi market.

Although the US and Great Britain remain determined not to budge from their uncompromising stance, which has been considerably helped by the outpourings of Iraqi revelations during the Summer of 1995, the pressure for a relaxation of sanctions can only continue to increase. At some time or other, most probably during 1996, a compromise will be reached whereby there is a gradual lifting of the oil embargo but combined with a number of conditions and safeguards to act as a restraint on Iraqi behaviour. Two potential routes could be considered:

* *Option 1:*
  UN resolution 705 permitted Iraq to have a one-off sale of oil worth $1.6bn which, after paying for its other obligations, would have left Iraq up to $1bn for humanitarian relief to be delivered under carefully monitored condi-

tions. Iraq rejected this as an infringement of its sovereignty. In April 1995, UN resolution 986 provided a more generous offer, which would have permitted the dispersal of $2bn over 6 months. As with the previous resolution, Iraq has refused to accept the offer. However, Iraq might at some point agree to accept this or some other similar offer and thereby set a precedent for the gradual lifting of sanctions.

* *Option 2:*
  The idea of a suspension rather than a lifting of sanctions, which has been promoted by the newspaper *Economist*. There is a recent precedent for this with the ban of flights on Serbia (and cultural and sporting links) being suspended for 100 days and extension being dependent on Belgrade not arming the Bosnian Serbs. The UN meets every three months to ensure that Serbia has fulfilled these conditions, before granting an extension. This solution provides a good avenue for continuing to modify Iraqi behaviour and to obtain compensation for the victims of Iraqi aggression, whilst allowing Iraq to obtain the money it so badly needs.[64]

The Political and Economic Situation

Iraq's economy is in a terrible condition. It is a modern urban society which is dependent on imports for its food and for foreign exchange from a single commodity - oil. Some oil still manages to be exported, perhaps as much as 500,000 barrels a day, but this contrasts with 2.29 million barrels a day prior to the Gulf war. Before the war there are 0.33 Iraqi dinar to the dollar, at present there are 1,200 to the dollar. Food rations are meagre and the urban population, in particular, has only survived by using their savings and selling their household goods.

Although Saddam Hussein's regime has defied all predictions of its imminent demise, there have been signs that the strain of sanctions is finally telling. In May 1994, Saddam Hussein blamed the dire economic

plight on his Prime Minister and Minister of Agriculture and he dismissed the two from office. In September, he was forced to cut rations in half and to cut subsidies to a range of goods. At the same time, pay rises for the police and armed forces were introduced. Their services have been increasingly in demand as they have had to suppress numerous outbreaks of disorder and administer the new draconian punishments such as amputation and branding. Frequent bomb explosions in Baghdad reinforce the impression of a regime under siege. In such conditions, the execution in Summer 1994 of a significant number of officers from one of the main Sunni Arab military clans - the al-Duris - was an ominous indication that suspicion and dissent were edging to the very heart of the regime.[65]

The defection of two of Saddam Hussein's sons-in-laws, with their respected wives, to Jordan in August 1995, apparently fleeing from the increasingly violent activities of Uday, Saddam's son, only confirmed the picture of an inner elite beginning to fall apart. The defection of Lieut-General Hussein Kamel Hassan al-Majid appeared especially damaging since he had been one of Saddam's most trusted henchmen, gaining a notoriety for the genocide of the Kurds in the late 1980s and for being in charge of the country's military industrialisation programme. Not unsurprisingly, Iraq only finally came clean to UNSCOM about its full nuclear, chemical and biological programmes immediately after the defection of Hussein Kamel.

The Prospects for the Iraqi Opposition

The essential problem with the Iraqi opposition is that it is too divided and too tainted by secessionist ambitions to be a perilous threat to Saddam Hussein's regime. In Iraqi eyes, Saddam Hussein's one saving grace is that he represents the upholding of the integrity of the Iraqi nation. It was this which permitted him to survive the Kurdish and Shi'i rebellions after the end of the Gulf War. As he said at that time: "Is it nationalism and democracy for one Iraq to be turned into fragments and groups, as in Lebanon?[66]

The violent Kurdish infighting in the allied-protected zone in Northern Iraq, which broke out in May 1994, have answered this question much to Saddam Hussein's satisfaction. The two major Kurdish political groupings, the Kurdish Democratic Party (KDP) and the Popular Union of Kurdistan (PUK), were supposed to share power after elections in 1992 but have been regurarly fighting each other from last summer. To add to their woes, Turkey sent 35.000 of its troops into Northern Iraq in March 1995 so as to deal with their own Kurdish rebels.[67]

Such divisions and lawlessness have not aided the efforts of the Iraqi National Congress (INC) - a coalition of disparate Iraqi opposition groups - whose leader Ahmad Chalabi has been desperately trying to mediate the Kurdish dispute. But, more generally, the INC's aim of a federated and democratic Iraq fails to attract much support from within Iraq. Like many other foreign-based opposition groups, the INC lacks strong roots within the country and is tarnished by its foreign association. The same could also be said for the Shi'i Islamist group, the Supreme Council for the Islamic Revolution in Iraq (SCIRI), which is perceived to be an tool of Iran.

Overall, the fear of Kurdish and Shi'i separatism strengthens the determination of the dominant Sunni community within Iraq to maintain its privileges and hold on power. As a result, Saddam Hussein is unlikely to be toppled by the uprisings of the other confessional groups nor by the activities of foreign-based opposition parties. The swift marginalisation and evident impotence of the Amman-exiled Hussein Kamel, despite his earlier elevated position within Saddam's hirarchy, confirms the difficulty of plotting to undermine Saddam from outside.

Therefore, the most likely source of his demise would be from within the military inside Iraq, and probably from competing Sunni military clans. However, the intra-Sunni and intra-military groupings and coalitions are as impenetrable as any of the shifts in the Kremlin in the former Soviet Union. Predictions of Saddam Hussein's eventual demise, or of his continued survival, can only ever be educated guesses. However, as was shown in his November 1995 referendum, which Saddam ran unopposed and won by 99.96% of the vote, the Iraqi leader appears to have an uncanny ability to

survive and confound his critics. During the Gulf War, Saddam was reported as saying "if I survive, I win" - it is this achievement which, as the farcical referendum showed, he loves to publicise as frequently as possible.

The Second Iranian Republic

The Rafsanjani-Khameini Alliance

The death of Ayatollah Khomeini in 1989 concluded the first phase of the Iranian revolution. The legacy of the period was a country and economy scarred by war and a political system which was beset by factionalism and incoherent policy making. The challenge faced by the leaders of the new republic, President Akbar Hashemi Rafsanjani and the spiritual leader Ayatollah Ali Khameini, was to chart a new course for Iran which would re-vitalise the economy and bring a greater degree of political consolidation.

After eight years of war, and with per capita income being cut by half from 1979 to 1989, there was a widespread popular expectation that the new regime would bring economic benefits. Rafsanjani and Khameini also needed to have a thriving economy to achieve other vital objectives of the Iranian state. First, there was the need to develop a strong armed forces, which could deter regional aggressors such as Saddam Hussein. Second, there was the ambition, as much held by the Pahlavi monarchy as the Islamic Republic, that Iran has a rightful role as an influential regional power. This was even more the case with the disintegration of the Soviet Union and the opening up of the new Muslim states of the former Soviet Union.

However, before dealing with the economy, Rafsanjani and Khameini needed to bring some order to the factional chaos of Iranian politics. Khomeini had encouraged this factionalism as it increased his mediatory role. He ceaselessly conferred and withdrew his favours from three principal groupings, which had conflicting views on the economy, and thereby ensured economic paralysis:

- *Clerical Radical Faction*

  In terms of the economy, this group favoured self-sufficiency, diversification, and the satisfaction of the social needs of the population. It supports the nationalisation of enterprises and curbs on the size of private property. Their social base was the lower classes; the *must'azafin* and the *hizbollahi*.

- *Clerical Conservative Faction*

  This group used the Koran to defend capitalism. They argued for the sanctity of private property and greater freedom for private enterprises. They were traditionally allied to the wealthy bazaaris and landlords. Though favouring capitalism, they are not necessarily in favour of economic liberalisation, especially if it affects the interests of the Bazaaris or of the religious foundations.

- *Technocrats and Clerical Pragmatists*

  This includes the bureaucrats and pragmatic clergy in charge of the managing and handling the national economy. Their perspective is non-ideological and seeks to follow orthodox macro-economic approaches to the reform of the economy.[68]

The Khameini-Rafsanjani alliance was forged so as to oust the radical faction and form a coalition between the conservatives (close to Khameini) and pragmatists (close to Rafsanjani), which could develop a political consensus behind economic liberalisation. In October 1990, the conservative and pragmatist groups joined together to eliminate radical candidates from participating in the elections to the Assembly of Experts. The April 1994 elections to the Majlis also saw the marginalisation of the radicals and the dominance of the conservative clerical faction.[69]

The weakening of the radicals from Iranian politics provided significant political opportunities for both Rafsanjani and Khameini. It gave Rafsanjani the political space to promote a policy of economic liberalisation and thereby strengthen his hold, and the hold of the technocrats and pragmatists, on the levers of power. For Khameini, it provided a political base for asserting his credentials for inheriting the mantle of Khomeini,

despite his comparative lack of charisma and his poor religious and spiritual qualifications.

However, in the six years of the Second Republic, neither Rafsanjani nor Khameini have been able to fulfil their ambitions. Rafsanjani's fortunes have declined as the Iranian economy has continued to deteriorate. Khameini has benefited from the setbacks of his colleague, emboldening him to pursue a more independent policy, but he has been unable to overcome his lack of religious legitimacy.

But these failures are more than personal; they also reflect the internal structural problems of the Iranian regime. As with other revolutionary regimes, the dictates of ideology (or theocracy in this case) continually conflict with the politics of pragmatism. Rafsanjani has tried to separate the two, making revolutionary objectives strictly subordinate to the interest of the state. Khameini has tried to fuse the two by accumulating to his person both the ideological and political dimensions of the Islamic republic. Neither have been successful and Iran continues to be plagued by incoherent and contradictory policies.[70]

Rafsanjani and the Economy

Since acceding to the presidency in March 1989, Rafsanjani has tied his political fortunes to the revival of the Iranian economy. The first post-war five-year plan, which ran until 1993/4 embodied Rafsanjani's preferences for a more liberal business environment and combined reconstruction of war torn areas with an increased role for the market. The new five year plan, which has yet to be agreed, continues the trend towards a greater role for the private sector. The plan envisages growth of around 6% per annum, a zero budget deficit, increased oil revenues, privatisation of state enterprises and encouragement of foreign investment.[71]

However, critics have been quick to point out the excessive optimism of these projections and the contrast with the actual situation facing the Iranian economy. In reality, the economic prospects for Iran do not look

good. The economy is set to contract in the near term and growth will be slow for the remainder of the decade (the Economist Intelligence Unit estimated GDP growth in 1994 at -4% and estimates -2% for 1995, 2% in 1996, and 3.1% in 1997).[72] Rafsanjani's ambitious plans have been undermined by three principal factors:

- *Falling oil prices*

  The Iranian economy remains heavily dependent on oil production, which accounts for some 85% of exports, and its development plans have been blown off course by the soft price regime. Whilst oil exports accounted for $16bn in 1992-3, they declined to $12bn in 1994. The decline in productive capabilities has also made it difficult for Iran to reach its target of 4.5 million barrels a day (estimates for 1995 are 3.63 million b/d). Plans for increasing capacity to between 5.5 and 6 million b/d are also unlikely to materialise. Most of this extra capacity will come from offshore production, which was severely damaged during the war with Iraq. But even maintaining capacity until 2000 is estimated to cost $6bn; and the cost of expansion plans is some $4.8bn. Where this money is to come from is far from clear. Iran has been negotiating with foreign oil companies but has refused to allow foreign equity participation. Given the country's poor debt record, it is unlikely other funding will be on offer.[73]

- *The Debt Burden*

  In the last five years, Iran has borrowed heavily so as to re-build its infrastructure. Debt was around $24bn for 1994 and is set to decline slowly as repayments begin. However, repayments have been hit by the fall in oil prices and Iran has been forced to engage in extensive rescheduling, including $10bn in arrears in 1994. The requirements of reservicing have drastically cut imports from $24bn in 1993 to $16.2bn in 1994.

- *Domestic Opposition*

  As the economy has failed to grow, domestic opposition to Rafsanjani's reforms have intensified. In particular, the conservative right in the Majlis

has developed as a powerful block on reform. Representing the interests of the bazaaris and the religious foundations, which benefited in particular from multiple exchange rates, they overturned Rafsanjani's attempt to unify these rates. In alliance with the radicals, they have also mounted a strong resistance against cuts in subsidies and welfare payments, which continue to place a great strain on government resources. Furthermore, their suspicion of foreign economic involvement has created considerable uncertainties as to the role of foreign equity in projects inside Iran and the status of foreign direct investment.

As these factors have limited the growth of the economy, Rafsanjani's popularity has declined and his power base has narrowed. In the presidential elections in June 1993 he won only 63% of the vote as against 95% in 1989. More generally, support for his reforms lack a strong social base. They have resulted in the alienation of the bazaaris, the state functionaries and the lower classes, which represent the traditional supporters of the regime. The middle class elites, which might be expected to support liberalisation measures, are not supportive of the regime for social and political reasons.

This growing disillusion has provided the opening for Khameini to exercise his political prerogative and, with the backing of the Majlis, to intervene in economic affairs. Rafsanjani's position is further weakened by the fact that the constitution does not permit him to have a third presidential term, so he will have to leave office at the 1997 elections unless he can obtain a change to the constitution. In this endeavour, he will be very much dependent on the support of Khameini, which raises the question of Khameini's ultimate political ambitions.

Khameini and the Marja-e Taklid

To assess Ayatollah Ali Khameini's religio-cum-spiritual leadership in Iran, it is necessary to understand the concept of the vilayet e-faqih (gov-

ernment of the doctor of law). This concept was developed by Ayatollah Khomeini in Najaf in the 1960s in response to the issue of the leadership of a truly Islamic state. His answer was very much rooted in the particular traditions of shi'ism. Unlike sunni doctrine, shi'ism provides a informal but hierarchical clerical structure; ranging from the lowly hojjat al-islam to ayatollah to grand ayatollah and, finally at the peak, the marja e-taklid (source of emulation). Advancement depends on the reputation the individual manages to build up among his fellow mujtahids, or interpreters of the law. The most respected and emulated of the grand ayatollahs becomes the acclaimed marja-e taklid. Khomeini's innovation with the idea of the vilayat e-faqih was that the supreme religious authority in shi'ism should also be the supreme political authority.

The role of vila faqih, which Khomeini adopted in the aftermath of the Iranian revolution, reflected both his spiritual credentials as a marja-e taklid and his new-found political power. It provided him with a position elevated above the political struggles and institutions, giving a quasi-mystical role as the representative of the hidden twelfth Imam. But, this fusing of the clerical and political did not lead Khomeini to favour the clergy as an institution. Instead, he promoted lowly hojjat al-islam and non-clerical Islamists. The higher clerical establishment was, in fact, directly or indirectly hostile to his political ambitions. Almost the entire dozen of the grand ayatollahs of the early 1980s rejected the thesis of the vilayet-e faqih. They continued either opposing Khomeini directly, such as Shariat Madari who died in 1986, or in keeping a discreet distance from the regime. Only one grand ayatollah, Montazeri, a former student and the designated successor to Khomeini before being rejected in 1989, approved of the doctrine.

The problems of the vilayet-e faqih concept became even more starkly exposed by the elevation of Khameini to the position of vila faqih. The problem was that he had been one of the hojjat al-islam who had been promoted by Khomeini to positions of political power. Although he was elevated to the rank of ayatollah on Khomeini's death, he had neither the seniority, learning or general acclaim to compel the recognition of his peers. The

problem of his lack of religious credentials has continued to undermine his credentials as the supreme leader. It has permitted the clerical establishment to re-assert its independence and to regain its influence in the 90 million strong Shia community worldwide. Khameini's domestic political authority has also suffered as he lacks the jurisdictional authority to settle differences between senior clerics, factions and political institutions.

This personal crisis of legitimacy came to a head with the death of Ayatollah Muhammad Ali Araki in November 1994, who had widely accepted as the marja-e taklid. In the struggle for his successor, Khameini promoted himself as a candidate for the position. Although he realised his lack of religious qualifications, he tried to use his political muscle to secure his elevation. The subsequent struggle pitted the state against the traditional independence of the shi'i clerical establishment with accusations that Khameini was trying to bring the clerics under centralised state control. In the end, Khameini lost the battle and he stepped down in January 1995 after failing to gain sufficient support even amongst his allies in the Majlis. It now appears that the Shia world has reverted to accepting a number of figures who may be consulted on religious and social affairs. These include Sheikh Ali Sistani based in Najaf; Muhammad Sadeq Rowhani, Hussian Vahid Khorosani and Javad Tabrizi in Qom and Ali Falsafi in Mashhad.[74]

However, the problems faced by Khameini are not just personal. They also reflect the major systemic crisis facing the legitimacy of the Islamic regime in Iran. The problem is that Khomeini's original experiment of fusing the spiritual and political in Iran is facing rejection from both the spiritual and political sides:

- *Spiritual Rejection*
  After Khomeini's death, the traditional clerical establishment has been emboldened in its opposition to the usurpation of their spiritual powers by the politicised clergy promoted by Khomeini. The Iranian shi'i mullahs have traditionally jealously guarded their independence and they have no wish for the Islamic regime to curtail these freedoms.

- *Political Rejection*

Amongst the wider population, there is also a widespread sense that the clerical establishment has been debased by their politicisation and their increasing corruption.[75] Religious interest and observance has been declining. The perceived greed and hypocrisy of the clergy, many of whom have been engaged in corrupt activities, has further undermined their authority. However, this sense of popular alienation only increases as the conservative clerics in the Majlis become even more fanatical in their acts of cultural repression. The decision to disband the many thousands of satellite dishes in Tehran has only added to the disillusion. This desperate attempt to halt the flow of "western filth" only reveals the crisis facing political Islam in Iran.

Iran and Regional Security

Just as Rafsanjani's domestic economic programme has been derailed by institutional constraints, so his attempt to promote the interests of the state in foreign policy has been undermined by the legacy of the revolution. Unofficial organisations, such as the Bonyad-e-15 Khordad which offered a bounty for Rushdie's assassination, have continued to operate independently. Rafsanjani's foreign policy prerogative has also challenged by Khameini, who has taken a militant stance on foreign issues so as to bolster his questionable legitimacy. More generally, relations with the West remain hostage to the radical opposition, particularly over the Rushdie issue and continued support for terrorism. And, with the overthrow of the "Great Satan" being the one undisputed victory of the revolution, relations with the United States are locked in a relationship of deep mutual hostility.

However, Iran's policy towards its immediate neighbours has been far more constrained and moderate than with more distant allies and foes. Admittedly, relations with Iraq continue to be poor, despite the hopes that the Gulf war might introduce a less hostile Iraqi leadership. But Iran has patched up relations with Turkey; it did not mention the Islamist Refah vitctories in the 1994 municipal elections and has been cooperating over

the Kurdish question. There was a bilateral Iranian-Turkish agreement that northern Iraq must not become the basis for an independent Kurdish state. Similarly, on its eastern flank, relations with Pakistan have improved and Iran has been attempting to mediate the Afghan conflict.

Most notably, however, Iran has been very cautious in its policy towards Central Asia. It did not come to the aid of the Islamists in the civil war in Tajikistan and did not criticise the Russian intervention into Chechnia. In the Caucasus, Iran has also been careful not to support one side of the Nagorno-Karabakh conflict and has attempted to provide its mediating services. It is, at least partially, in recognition of this Iranian restraint that Russia has been willing to provide arms and technical assistance to Iran, overriding strong US opposition.[76]

Iranian policy in the Persian Gulf is certainly more activist but it is not principally driven by revolutionary ambitions. Rather, Iranian policy represents a significant continuity with the pre-revolutionary period and is primarily dictated by nationalist and economic and politico-strategic interests. Iran has a deeply felt conviction that strategically it is the most important power in the Gulf and that security must remain in the hands of the littoral powers. It also argues that security arrangements based on peaceful interaction and cooperation will ensure that the price of oil will not fluctuate.[77]

Given these deeply engrained convictions, it is not surprising that Iran resents security arrangements such as the Damascus Declaration, which attempted to involve Syria and Egypt in the defence of the Gulf. On similar grounds, Iran has consistently opposed the US military presence in the Gulf and believes that it has a perfectly legitimate right to engage in rearmament so as to protect itself from potentially hostile foreign forces. There is a strong domestic consensus that Iran should maintain and strengthen its capabilities to be able to project power into the Gulf.

It is this rearmament programme which has worried the United States and the Arab Gulf states. In March US Defence Secretary William Perry described Iran's military build-up as "far beyond any reasonable defence requirements and can only be regarded a potential threat to shipping".[78] The fact that Iranian capabilities have been markedly improving cannot be

denied as each year Iranian naval exercises have grown larger and have become quite impressive by the mid-1990s. Iran's rearmament for the Persian Gulf has included:

- Acquisition of cruise missiles, mainly silkworms (HY-2) and the YJ-1 Chinese system, for use in naval theatre. The Iranians have reportedly deployed silkworms and longer range Seerseeker anti-ship missiles on the islands of Qeshm and Sirri.
- Heavy investment in mine warfare capabilities.
- Acquisition of Russian kilo-class submarines, which are armed with 18 torpedoes and can lay up to 24 mines. These have considerably enhanced Iranian prestige and provide leverage during warfare but it will be some time before the Iranian navy masters the art of submarine warfare.

Capabilities can be quantified but intentions are less easy to determine. The August 1992 Abu Musa incident, when Iran threw out all foreigners in contravention of the 1971 Sharjah-Iran agreement, and the subsequent fortification of the islands, was in response to the US movement of forces into Kuwait. For the Iranian government and people this was a matter of national pride and one of maintaining Iran's territorial integrity. Iranian military strategy towards the Persian Gulf is based on a policy of sea-denial to prevent the deployment of hostile forces, initially by closing the straits of Hormuz. From the US perspective, as well as its Gulf allies, this naturally appears as an indication of hostile intent.[79]

However, the projection of Iran as a major threat needs to be placed in perspective. Although Iran has been engaging in a vigorous military acquisition programme, this has to be seen in the light of its losses during the Iran-Iraq war which left practically all of its capabilities severely depleted. For example, by 1988 when Iraq had an army tank force of 5,000 and 2,500 armoured vehicles, Iran was able to field only 750 tanks and a similar number of armoured vehicles. Iran has also had to engage in a programme of "de-americanisation" and find suitable other substitutes, primarily from Russia and China but also from a host of other suppliers,

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including North Korea.[80] But, despite the urgency of its need to modernise and rearm its armed forces, Iran's acquisitions have been relatively small compared to its Arab Gulf neighbours, as the table below shows.

Arms Deliveries to Near East by Supplier (1986-1993)
(in millions of US dollars)[81]

Recipient	US	Russia	China	W.Europe	Others	Total
Iran	0	3400	4100	3900	2500	13900
Saudi Arabia	18900	200	3300	33100	900	55600
Kuwait	2100	200	0	700	500	3500
UAE	800	200	0	2300	400	3700
Oman	100	0	0	400	0	500
Bahrain	800	0	0	300	0	1100

The fact that the US Secretary of State Perry's statement in March on the Iranian threat to Gulf security coincided with the Idex international arms exhibition in Abu Dhabi is not entirely coincidental. The Iranian acquisition of its submarines has been viewed as a potentially highly profitable development for Western arms suppliers, who have been falling over themselves to sell anti-submarine warfare equipment.

A similar scepticism is legitimate with the claims from Israel and the United States that Iran is only 5-7 years away from producing nuclear weapons, which contrasts with earlier CIA projections of 8-10 years. Most analysts think that even this latter projection is far too optimistic, given Iran's lack of infrastructure, the underdevelopment of its national industrial and scientific base and its problems in investing an annual $1-1.5bn in the programme. Iran also has a major problem over fissile material: it neither has any known uranium enrichment facilities nor a functioning nuclear reactor and reprocessing facility to follow the plutonium route.[82]

These US and Israeli statements should also be placed in the context of the NPT renewal conference. Perry's visit to the Middle East and Saudi

Arabia was part of a US diplomatic offensive to highlight the dangers of nuclear proliferation and the need to support the indefinite extension of the NPT treaty. The scenario of a nuclear-armed Iran was a powerful way of emphasising the seriousness of the problem. The Iranian threat could also provide a justification for the US to overlook Israel's own nuclear capability and its refusal to become a signatory to the NPT Treaty. Israel itself has used the Iranian threat as the principal justification for the maintenance of its *de facto* nuclear deterrent strategy.

However, these qualifications and expressions of scepticism are not intended to minimise the potential threat that Iran presents to the security of the Persian Gulf. Iran is determined to promote itself as a major regional power, capable of projecting itself in the Gulf which it perceives to be essential to its national and economic security. The Iranian regime is also deeply hostile to the United States and the other Western powers operating in the Gulf. In addition, it has embittered bilateral relations with Saudi Arabia, which revolve around the Hajj and their competing claims for the mantle of Islamic legitimacy. Iran cannot be thought of as a benign power in the region.

But Iran's Persian Gulf strategy should be kept in perspective. Iran is suffering from a number of internal weaknesses and it feels justifiably threatened by its neighbours, with a hostile Iraq to the West, anarchy in Afghanistan to its East, and instability and conflict in the North in the Caucasus and Central Asia. Given these considerations, it appears unlikely that Iran would risk a major act of aggression in the Persian Gulf.

In addition, whether one likes it or not, Iran is a major geo-strategic power in the region and to continue a policy of uncompromising exclusion can hold risks for the future. Ultimately, security in the Gulf can only be assured by co-operation between the littoral powers. Oman, the UAE and Qatar have already hinted that it might be time cautiously to involve Iran in regional security arrangements. This might be the occasion for the United States to follow Europe in seeking a "critical dialogue" with Tehran, which seeks to engage moderate elements within the Iranian regime through a carrot-and-stick approach. The analogy might be with the Soviet Union and

the period of the 1970s when a relationship of detente replaced the unremitting hostility of the Cold War.

Scenarios for Iran

Although Iran's economy continues to deteriorate and the regime is suffering a major crisis in its legitimacy, which has undermined the positions of both Rafsanjani and Khameini, the country is far from a revolutionary situation. The popular mood is sullen but deeply cynical and opposed to any new revolutionary upheaval. There is also no effective alternative opposition. The Mujahadin-e Khalq has little domestic support, as it is viewed as extremist and tainted with its links to the Iraqi regime. If there were to be an attempt to displace the regime, it would most probably come from the military. Although this is one scenario, the most likely is still for the present regime to muddle on.

Scenario 1: No major change
This is the most likely option, though the 1997 presidential elections could encourage a change of direction, especially if Rafsanjani was not permitted to participate. However, it cannot be excluded that Khameini will decide to re-forge his alliance with Rafsanjani and permit him to run for a third term. But, a senior cleric, Ayatollah Madavi-Kani, recently caused a storm by suggesting that the clerics should not run for the presidency in 1997. If the election were to be limited to civilians, two possible candidates stand out. First, the well-respected technocratic mayor of Tehran, Gholam Hossein Karbatschi, who has gained a reputation for improving municipal efficiency. Second, there is the powerful Interior Minister Ali Mohamed Besharati, who has shown a tough approach to problems of domestic disorder but has also revealed a liberal inclination by supporting the formation of political parties. Whether any new incoming president could overcome the institutional paralysis in policy making is, though, highly doubtful.[83]

Scenario 2: A Return to Radicalism

This would involve a return of the radicals and hardliners, who would seek to recapture the Khomeini era - a highly conservative social and cultural agenda, a virulently anti-Western foreign policy, and an economic bias towards the bazaaris and the lower classes. However, this scenario is not the most likely. The radicals are divided amongst themselves and they are tarred by the failure of their policies in the past. Their natural constituency - the lower classes and dispossessed - are also ideologically exhausted and want practical results rather than more revolutionary rhetoric.

Scenario 3: A Military Coup d'Etat

There are already signs of discontent within the armed forces. Last year Brigadier-General Azizollah Rahimi denounced the clerical regime for its violation of human rights, suppression of political freedoms and the mis-management of the economy. In the August 1994 riots in Qazvin, the Pasdaran commander refused to use his forces to put down the rioting. The military also appears to be increasingly concerned about the breakdown of order in the border areas, where 10% of Iran's Sunni population lives. If provincial garrisons follow the example set in Qazvin, one could have the centre's authority collapsing as the periphery starts to fragment. In Iranian history, it was just at such junctures that military men, Nadir Shah in the eighteenth and Reza Shah in the nineteenth century, stepped in to take over the reins of state. However, Iran in 1995 is still far from representing this scenario and a military coup must be considered unlikely.

Saudi Arabia - A Troubled Kingdom

Saudi Arabia has been aptly described as being in a "ceaseless quest for security".[84] The Kingdom has been blessed with enormous natural resources and wealth but has suffered from a small population in one of the most politically volatile regions of the world. As King Fahd looks out from his palace in Riyadh, there appear to be enemies in all directions. To the

East, Iran represents an existential threat to the very foundations of Saudi legitimacy - its Islamic credentials. To the South, the Republic of Yemen resents its relative poverty and broods over a long-running border dispute, which almost led to hostilities in late 1994. To the North, the Saudi family is deeply distrustful of the intentions of the Hashemite monarchy of Jordan and its historic links to the Hejaz. But, looming over all these potential enemies is the continued survival of Saddam Hussein of Iraq, whose invasion of Kuwait presented the most insidious threat to the security of the Arabian peninsula in the whole history of the Saudi state.

The Iraqi invasion of Kuwait led to the most fateful decision ever made by the Saudi regime. King Fahd welcomed the intervention of the US-led multinational force onto Saudi territory in order to expel the Iraqi dictator from Kuwait. Although this operation was executed with unparalleled success, it has left a legacy which has brought new tensions to Saudi monarchy.

First, it brutally exposed the dependence of Saudi Arabia on the security protection of the Christian West, which weakened the Islamic credentials of Saudi rule.

Second, it exacerbated the economic difficulties which Saudi Arabia was already beginning to experience with the falling price of oil.

Third, it intensified the internal pressure for political change with growing popular demands for greater political accountability and at least some relaxation of the exclusive control of the political system exercised by the Saudi royal family.

The West and Saudi Arabia - the Arms Nexus

Although Saudi Arabia has had a close security relationship with the West, and principally with the United States, for all of its existence, the Saudi government has always sought to make this relationship as invisible as possible. The West has never been permitted to have bases on Saudi territory and bilateral security agreements were politely but firmly refused. Western

arms and technical advice were bought in profusion but such decisions were never publicly discussed. The Saudi royal family was determined that, though the Western powers were an integral part of its defence arrangements, they would be kept hidden as far as possible so as to maintain the Islamic and Arab nationalist credentials of the house of Al Saud.

The Gulf War necessarily changed all this. With Western soldiers located for over nine months on Saudi territory, the nature and extent of Saudi security dependence was visible for all to see. For the first time, this dependence became a significant domestic issue. It exposed the reality that the Saudi armed forces, despite having some of the most sophisticated armaments available on the market, was in no position to defend the security of the state without US backing. For opposition groups within the Saudi Kingdom, such unconditional dependence on foreign non-Muslim forces is a fertile source for mobilising popular dissatisfaction.

However, for the vast majority of the Saudi population this dependence is an acceptable political price to pay for ensuring the defence of the country from external predatory powers. But the more significant source of disquiet comes not from the fact of this dependence but the associated political and economic costs. In particular, two issues have been potentially the most explosive and damaging to the regime, both relating to Saudi arms purchases:

- *Western demands for ever-increasing arms purchases*
  In a relatively short period, the Saudi military has had an astounding transformation. Its army has been transformed from a light mechanised force and now deploys large armoured formations in purpose-built military cities located near the country's borders. Its token airforce has become one of the developing world's best equipped. A small coastguard has been replaced by a two fleet force. In the last ten years alone, the effort has cost over $250 billion.

  From the mid-1980s onwards, the priority of the military spending has shifted from developing an infrastructure and basic capabilities to acquiring modern weaponry. From 1986 to 1993, arms transfer agreements totalled

approximately $67.7bn, the vast proportion with the United States ($34.5 bn) and the major West European suppliers ($26.5 bn), principally the United Kingdom. Deliveries in the same period totalled $55.6bn, with the US accounting for $18.9bn and Western European countries for $29.8bn.[85]

These purchases were domestically relatively uncontroversial when the government enjoyed huge foreign reserves and could afford to maintain its generous welfare system. However, after the costs of the Gulf War and with declining oil prices (see below), the government has been forced drastically to cut government spending. In these circumstances, the high level of defence expenditure (around 14% of GDP in 1990-1 and about one third of government spending) has been under greater scrutiny, especially as the government has been resistant to any cuts in this area. What is becoming politically a very sensitive issue is the widespread perception that the Western countries are demanding the continuation of the high level of arms purchases as a *quid pro quo* for the Gulf War and for continuing to provide their security protection.

Within Saudi Arabia, there is a strong sense hat the major allies, the United States (arms agreement worth $34.5 bn since the war) and the United Kingdom (agreement on al-Yamamah 2 worth $7.5 bn) have been amply rewarded for their efforts. There is also a feeling that, with these countries continuing to make intensive sales pitches, they do not show sufficient sensitivity to the domestic and political constraints. For the normal Saudi on the street, these enormously expensive purchases look more and more extravagant as austerity measures are imposed on other areas of government expenditure.

However, for their part, the major arms-supplying countries are under enormous domestic pressure to maintain the flow of weapons into the Arabian Peninsula, particularly with the downturn of the market after the end of the Cold War. In 1993, US arms agreements to Saudi Arabia ($9.5bn) and Kuwait ($2.2) constituted 79% of the value of all US arms transfer agreements to the developing world. For the United Kingdom, the al-Yamamah deal is estimated to secure over 20,000 jobs in some of the most distressed regions of the UK economy, thus being a vital domestic

social, economic, and political concern. In such a context, Saudi sensitivities can only take second place to the dictates of national economic interests.

- *The corruption of arms dealing*
  Evidence of corruption in the arms agreements made by Western countries to Saudi Arabia is necessarily circumstantial.[86] But, it is widely accepted that intermediaries do make demands for commissions on successfully achieved business which considerably add to the cost. There are unsubstantiated allegations that the immensely wealthy Syrian businessman, Wafic Said, received $240m for his services in the al-Yamamah deal. Even if commissions were to take only a small percentage of the defence contracts, it would still be an extremely heavy burden for the Saudi economy.

However, the important political point is that there is a widespread perception within Saudi Arabia that at least some of the extreme wealth of the millionaire elites, including those of the Saudi princes, has been derived from the cosy relationship with Western arms suppliers. The sense that there is an arms nexus between the Western suppliers and the Saudi royal family, and their entourage, breeds resentment within the Kingdom and provides ammunition for the opposition.

The Economic Downturn

The *Financial Times* stated in 1993 that "Saudi Arabia was briefly a wealthy country". Although this was perhaps an exaggeration, it is the case that the Kingdom has made a transition from an economy of abundance to one of relative scarcity. For some years, Saudi Arabia has been living beyond its means, running large budget and current account deficits. This position has been complicated by the enormous costs of assisting Iraq during the Iran-Iraq war ($25bn) and the cost to the Saudis of the Gulf War ($55bn). The government has avoided fiscal discipline by drawing down its

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reserves (down from $120bn to $15bn), borrowing and delaying payments. Some suppliers have found the government many months behind in payments.

In 1994 government spending was cut by 20%. The 1995 budget foreshadows further cuts in public spending and increases in the price of utilities and services, including electricity, petrol, telephone, water and domestic air travel. King Fahd announced these price rises in December 1994, presenting them rather disingenuously as a temporary expedient. Following the tried and tested practices of the past, the Saudi government is approaching its economic problems with extreme caution.[87]

However, a recent confidential IMF report predicted that the budget deficit is still unlikely to be balanced in 1995.[88] Instead there will be a deficit of roughly $6.6bn which is likely to remain little changed over the next four years unless drastic action is taken. The IMF also reckons that the government and its public sector companies and agencies have accumulated total debt of about $85bn, or roughly 70% of GDP, and predicts its steady rise. If the government does not face up to its difficulties, there may be "adverse consequences for the stability of the economy and the sustainability of the exchange rate". This would be an extraordinary turn of events for the country with a quarter of the world's proven oil reserves.

Nonetheless Saudi Arabia is basically a rich country. With its vast oil reserves and the prospects of a buoyant market in the future, and with GDP per capita at around $6,000, there should be no insuperable difficulties in overcoming these economic problems. The key question is whether the Saudi government will have the ability to marry fiscal discipline with maintaining the delicate political balance in the country.

The Demand for Political Representation

The inherent problem of imposing fiscal discipline is that entails representation - something the Al Saud are not keen to promote. The government of Saudi Arabia is essentially a family business with power, both political and

economic, residing in the Al Saud family, which includes over 6,000 princes. The legitimacy of the Al Saud has rested on two major pillars. First, the alliance with the Wahhabi revivalist movement, which is institutionalised in the religious establishment under the leadership of the Grand Mufti Sheikh Abdul Aziz bin Abdullah bin Baz. The second factor is through a popular contract where economic prosperity has been traded for political representation. Both these pillars are, though, under assault. The latter by the economic crisis; and the former by the growing challenge by more fundamentalist Wahhabis demanding a major change in the constitution and running of the country.

The pressure for change has also been coming from outside. The Gulf War was not fought explicitly to promote the democratisation of the Arabian Peninsula but there was a clear expectation that the Gulf states would move in this direction. This encouraged local populations to be more bold in their demands and the ruling families of the region have been under growing pressure to accommodate these demands.

The al-Sabah family in Kuwait has moved the furthest, permitting the re-opening of the Kuwaiti National Assembly in October 1992. The Assembly has 50 elected members and has made its mark by including a vigorous opposition willing to criticise the government and even the royal family. The other Gulf states have been far more cautious and have only permitted the formation of non-elected advisory consultative councils. However, the pressure for more radical constitutional changes have been increasing. In Bahrain, there were extensive riots in late 1994, calling for the re-convening of the elected assembly, which had last functioned in the 1970s. The Sultan of Oman also recently attacked Islamists in the country for their "misuse" of religion for political purposes.[89]

For its part, the Saudi monarchy has similarly resisted any hint of a democratic opening but it did finally inaugurate its long-promised but essentially teethless *Majlis al-Shura* in December 1993. However, this has failed to quell opposition from within the country demanding more radical reforms. The most serious challenges came from two petitions addressed to the King in May 1991 and September 1992. The first petition called for the

creation of an independent Consultative Council with the power to decide domestic and foreign policy, for equality before the law, for the accountability of all officials and for stricter adherence to Islamic values. The second petition developed these themes, focusing particularly on the mismanagement and corruption in public life. It recommended a major role for the clergy in the running of the country and a re-orientation of foreign and defence policy away from the West and non-Islamist Arab regimes.

Anatomy of an Opposition

The signatories of these petitions were drawn from groups of religious scholars and intellectuals. Their orientation is clearly Islamist and in opposition to the religious establishment, whose Supreme Council denounced the petitions as misguided and divisive with only seven members refusing to endorse this position (they were quietly retired). However, this Islamist opposition is far from homogeneous and two broad factions can be defined.

Neo-Wahhabi Radicals

This group includes preachers, lecturers, students and marginalised city dwellers who tend to be xenophobic, anti-Western, anti-Shia and outspokenly critical of the ruling family. Their condemnation of mismanagement and royal corruption finds a receptive audience among the large number of disaffected youth - over 70% of the population are under 25 and many of them are unemployed. They are attracted by the programme of a cleaner, more accountable government, for stricter public morality and a more active support of Muslim causes, such as Palestine and Bosnia.

The spiritual homeland of this group is in the heartlands of the Nejd, in particular from the Qasim province and its capital Buraida. It was from this region that Abd al-Aziz Al Saud, the founder of the Saudi state, faced the greatest challenge to his consolidation of power in the 1930s, as he had to put down an extremist Wahhabi opposition.

Some of this spirit of opposition was two of the signatories of the petitions, the popular preachers Sheikh Salman al-Audah and Safar al-Hawali, who continued to defy the Senior Council of Ulema. Both men had taken the lead in condemning the presence of foreign forces on Saudi soil during the Gulf War. Both had attacked government corruption and aspects of foreign policy, including Saudi support for the Middle East peace process. Cassettes of their sermons had circulated widely, especially on the student campus and among the disaffected younger generation. Their detention in September 1994 sparked demonstrations in Qasim and the arrest of over a hundred sympathisers. But the extensive foreign reporting of these incidents was probably exaggerated.

Moderate Islamists

These exponents are more liberal and democratic in their outlook, less xenophobic, and more open to ideas from outside. Many of them are western educated and see a more moderate form of Islam as the only viable route towards internal reform in the Kingdom. To a certain extent, their views have been channelled through the activities of the Committee for the Defence of Legitimate Rights, under the leadership of Muhammad al-Masari. Exiled in London from April 1994, Masari has waged a fax war with the Saudi government, relaying to the information-starved Kingdom allegations of human rights abuses, corruption and royal wrong-doing.

These moderates would not generally be in favour of the overthrow of the Al Saud. But they face the same problem of moderate Islamists in other countries, such as Algeria and Egypt, of being tarred with the same brush as the radicals. The Saudi government should be careful not to make the same mistake as their Arab counterparts, since repression of the moderates only strengthens the radical camp.

Other Sources of Opposition

It would be a mistake, though, to assume that these Islamists represent all the sources of potential opposition to the Saudi regime. There are two other important groups who, though they have significant reservations about the current political arrangement, probably fear the Islamists more than the government.

Western-Orientated Technocrats

This group consists of the wealthy middle class technocrats and merchants who are not part of the royal family. Although these individuals do not challenge the Saudi system which enabled them to accumulate wealth, they are interested in some form of liberalisation and political reform. As with merchants in other Gulf countries, there is a desire to regain some of the power which they possessed prior to the oil boom.

However, this group is fundamentally at odds with the Islamist opposition, whether led by traditional ulema or by technocrats. The *Majlis al-Shura* established by King Fahd is probably sufficient in terms of present reforms. They know that any wider democratic participation would benefit the Islamists more than themselves.

The Shi'i Community

The Saudi Shi'i minority lives mostly on the Gulf coast in the oil-rich Eastern province. They have long-standing grievances over the discrimination that the Shi'i community faces from the Sunni majority and are resentful at the anti-Shi'a ideological beliefs of the Wahhabis. Nevertheless, the Shi'i militancy of the early 1980s, inspired and supported by the Islamic Republic of Iran, has faded. The Saudi government has also made some efforts to deal with the sources of religious and economic discrimination and to alleviate the condition of the Shi'i opposition. It also managed to co-opt the Shi'i opposition group, the Reform Movement, by enticing some of its members back from exile in London with promises of settling major Shi'i grievances and by releasing prisoners.

Nevertheless, the Saudi government has looked with alarm at the Shi'i uprisings in neighbouring Bahrain at the end of 1994 and the beginning of 1995.[90] Saudi troops are also reported to have participated in the Bahraini government's crackdown. This protest was not, though, seeking to create an Islamic regime in Iran's image but to end discrimination of the majority Shi'i community in Bahrain and to re-introduce the long-defunct Bahraini parliament. So long as the Saudi government lives up to its promises to deal with the Shi'i grievances, it should have no great cause for concern. The Shi'is see the present Saudi regime as far more preferable to a radical Wahhabi and anti-Shi'i alternative.

Scenarios for Saudi Arabia

The Saudi state has often been depicted as an outdated anachronism whose imminent demise is inevitable. But in the 1950s and 1960s, it managed to weather the storm of Arab nationalism and it has continued to thrive. Ironically, whilst the legitimacy of the Al Saud has survived relatively intact, its radical Arab nationalist neighbours are beset by a legacy of failure and corruption. In any analysis of the current health of the Saudi monarchy, and of its sheikhly allies in the Gulf states, the popular support and respect which has accumulated over the years should not be neglected. There is only a small minority which genuinely desires a radical reform of the system and the institution of a completely new political dispensation.

Nevertheless, the Saudi Kingdom does face a number of serious challenges to consolidate its stability into the twenty first century. It will have to deal more decisively with its economic difficulties. It will also simultaneously have to introduce a gradual liberalisation of the political system to accommodate the demands of its increasingly young and well-educated population. It will also have to make sure that its relationship with the West does not obstruct these necessary internal reforms.

A crunch will come with the succession. King Fahd is 74 and his cautious and conservative approach makes him unlikely to push through

the reforms required. Unfortunately, the direct line of succession moves on to two princes of similar age and disposition, Crown Prince Abdullah who is 72 and then Prince Sultan who is 71. The danger is that there is a long period of gerontocratic rule, much as occurred after the death of Leonid Brezhnev, before one of the younger princes should have the opportunity to rule.[91] Taking this succession into account, there are two possible scenarios:

Scenario 1 - Governmental Paralysis

This would be the worst-case scenario and would involve the aging Saudi royal leaders, refusing to deal with the economic problems and increasingly relying on repression of the Islamist opposition. In such circumstances, an intra-Nejdi conflict could emerge pitting the Wahhabi establishment against a radicalised Islamist movement. The Shi'is in the Eastern province and the non-Wahhabis in the Hejaz would become disaffected and would seek to protect themselves from the crisis in the centre. The country could then start to unravel and relations with the West deteriorate. However, this scenario is not the most probable. Even though the Saudis have been criticised for their half-hearted attempts at reform, some important progress has already been made. The inauguration of the *Majlis al-Shura* was at least a first step in the right direction. The budget cuts in 1994 and 1995 were also signs that the government is aware of the economic problems. The government has also made determined efforts to deal with its former lax attitude to the funding and support of radical Islamist groups, which has now so dangerously boomeranged. But, at the same time, it has kept the religious establishment on its side and has taken unprecedented steps to improve the public presentation of its policies.

Scenario 2 - Gradual Reform and Consolidation

This option would be greatly aided by the swift transition to a younger generation of Saudi princes who would be willing to tackle the issues of reform with greater determination. Even without this development, there should be enough accumulated credit for the Al Saud to maintain the stability and basic political and economic health of the country. Saudi

Arabia is basically a rich country with a high level of GDP per capita, which is the envy of its more populous neighbours. The Al Saud have also gained a considerable degree of legitimacy for their success in developing the country from its earlier abject poverty to a condition of relative abundance. There is also no widespread call for radical change. The vast majority of the population would be satisfied with gradual reforms, which would resolve the most outstanding grievances - the sense of an excessive dependence on the West, the absence of any legitimate political space other than the mosque, and the excessive wealth and consumption of the royal family.

So long as the Al Saud can show a real determination to deal with these issues, it should be able to approach the new millennium with relative equanimity. On balance, this is the most probable political scenario.

Conclusion

It is always an invidious and ultimately frustrating task to attempt to predict, or present scenarios, for future developments in the Middle East. In a region of the world where the large majority of states are under one-man dictatorial rule, there is always the possibility that high-level decisions will be made without accountability to wider forums of representation and driven by an internal logic inscrutable to the outside eye. The Iraqi invasion of Kuwait was only the most blatant example of such dictatorial unpredictability, which practically no external analyst foresaw, and which had far-reaching and significant repercussions for the rest of the Middle East. The Iraqi example might be extreme but it is not exceptional. In practically every country of the Middle East, the internal workings of government and of society are opaque and secretive and change is manifested in unusual and unexpected forms. The rise of radical Islam is one example of a political dynamic emerging in the Middle East which produces equal measures of incomprehension and fear.

However, despite the volatility and unpredictability of the region, it is still possible to determine general underlying processes and dynamics which underpin, and help explain, developments in the Middle East. It has been the objective of this study to highlight and interpret some of the most significant of these processes and to relate them to recent events in the region.

The general thrust of the study can perhaps best be described as pessimistic but not apocalyptic. This gloomy forecast is not to deny that there have been major positive advances in the region. As with other regions, the diminution of superpower conflict has made an important contribution to increasing the stability of the region. For the first time, it became possible for the international community, including the then Soviet Union and the United States, to co-operate to overturn the aggression undertaken by Iraq in its invasion of Kuwait. This experience of co-operation provided the major dynamic behind the breakthroughs in the Arab-Israeli peace process. Although these advances were principally

brokered by the United States, any such movement would have been far more difficult, if not impossible, if the Soviet Union had continued to pursue its obstructive and rejectionist policies.

For its own part, like other regions of the world, the Middle East has been reaping some of the rewards of the post-Cold War "peace dividend". The Arab-Israeli peace process has made major strides and appears to have forged an internal dynamic of its own, particularly in the evolving relationship between the Israelis and the Palestinians and the various agreements that they have reached. Israel can feel more secure against external threats than ever before; the Palestinians are at last gaining some substantive civil, economic and political rights; and other Arab states in the region can relax their preparations for war and confrontation with Israel. This has led to a greater regional commitment to economic liberalisation and to some, albeit limited, experiments in political democratisation, such as in Jordan and Kuwait.

However, when compared to other regions of the world such as East Asia, South Asia and Latin America where economic growth has been much faster and where the prospects for political democratisation are more well-entrenched, the progress made in the Middle East appears less dramatic and more disappointing. In part, this reflects the different underlying conditions, most notably the deeper roots and greater degree of inter-state hostilities in the Middle East. Despite the considerable media reporting on the advances made in the Arab-Israeli peace process, it is important to recognise the distance that still needs to be covered for a full and comprehensive resolution of the 100-year old conflict. As at the end of 1995, Syria continues to be hostile to the peace process; the treaty between Jordan and Israel represents merely a formal confirmation of an existing peace; and the agreements between Israel and the Palestine Authority only relate to conditions of internal Palestinian autonomy whilst the real substantive issues of borders, the question of a Palestinian state, refugees, and Jerusalem have not yet even been discussed. There is, therefore, still a long and tortuous journey yet to be made in the peace process and, as Rabin's assassin showed, there are significant forces seeking to undermine or destroy moves towards a peace between Israel and its Arab neighbours.

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The relatively slow pace of the peace process is one significant factor counselling Middle Eastern leaders to exercise caution in promoting too fast a process of economic and political liberalisation. As the political and strategic map of the Middle East remains uncertain, particularly the position that Israel and its vibrant economy will play in the region, Arab leaders have been reluctant to reform their well-established political practices or economic structures. But, the Arab-Israeli conflict is not the sole strategic concern for Middle Eastern leaders. The Middle East does not fit the bipolar model of regional conflict which divided Europe into two camps during the Cold War: rather, the region represents a more complex multipolar system, characterised by a multiplicity of potential security threats and a high degree of mutual vulnerability. The Persian Gulf region illustrates this well with three major power blocs - Iran, Iraq, and Saudi Arabia with the Gulf States - having deep sources of mutual enmity, leading to large-scale military build-ups and minimal regional political, economic or social co-operation. Similar, if less intense, inter-state conflicts can be found in other areas of the Middle East, creating a strategic environment dominated by concerns over military preparedness and defensive capability. The resulting high levels of military expenditure inevitably limit the potential for a substantial "peace dividend" and act as a break on measures to liberalise the economy and the political system.

Inter-state sources of conflict are, therefore, likely to continue to characterise Middle East politics. Fifteen years after the Camp David Treaty, the continuing cold peace between Egypt and Israel demonstrates that significant sources of mutual distrust and suspicion between Israel and the Arab states are likely to exist for some time into the future. This is, in itself, a warning against expecting too dramatic a dividend from the peace process. The presence of other inter-state conflicts, not only between Arab and non-Arab states in the region but also, as so dramatically shown by Iraq, between Arab states themselves, only contributes to the continuing salience of inter-state conflict in the region.

However, it can still be justifiably argued that the intensity of inter-state conflict in the Middle East has declined. The end of superpower

competition, the progress in the peace process, the enforced balance of power in the Persian Gulf, have all decreased the likelihood of inter-state tensions leading to direct military confrontation.

But, as this study has argued, one consequence of the decrease in conflict *between* states is that the sources of tension and conflict *within* states have dramatically increased. In the past, Middle East elites could deflect their domestic problems by promoting enemies and crises abroad. In the 1990s, this option has become less effective and Middle Eastern leaders have had to confront popular protest against their economic and social failures, their lack of political legitimacy and the widespread evidence of corruption and clientelism. Without the constant presence of threats from abroad, there is less opportunity for the majority of states in the region, with the partial exceptions of the more democratic countries such as Israel and Turkey, to continue disguising their failure to forge cohesive national identities and representative and legitimate national institutions.

This study has also argued that the principal political ideologies of the region are unlikely to resolve these fundamental internal problems of state governance and legitimacy. Arab nationalism is widely discredited as the ideology of the existing state elites and their failure to promote economic growth or political liberalisation. Political Islam is a powerful and effective tool of opposition, focusing on the corruption, clientelism and narrow legitimacy of the Arab nationalist regimes. However, as the Islamic regime in Iran has demonstrated, there is no simple or feasible Islamic solution to the problems of the Muslim world. If brought to power, it seems unlikely that the Islamist opposition in the Arab world would be able to offer any workable alternative and would probably rely on repression and patronage like their predecessors.

Ultimately, the future hopes of the Middle East lie in the development of a democratic process, which moderates ideological extremisms and accepts the ethnic, nationalist, religious and social diversity of the region. It is this process which would strengthen the roots of cohesion and trust within Middle Eastern states and, ultimately, lead to more co-operative and

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less confrontational inter-state relations. At the end of 1995, the potential for such a dynamic can only be considered as one option amongst others . The cautious democratic experiments in Jordan, Kuwait, Yemen, and at the beginning of 1996 on the West Bank and Gaza Strip, are hopeful signs of positive moves in the right direction. However, the annulment of the 1992 FIS electoral victory in Algeria followed by the ruthless repression by the military government points to a different and far more dangerous and destabilising dynamic, which other countries like Egypt, Saudi Arabia and Bahrain have consciously followed. Ultimately, it is in these internal struggles and their outcomes, which will determine the future stability and regional prosperity and freedom of the Middle East.

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